





## EUROPEAN NEWS

## Farmers plan protests as Warsaw resists demands

By Christopher Bobinski in Warsaw

POLAND'S angry farmers are threatening to stage widespread protests next week as Mr Tadeusz Mazowiecki, the Prime Minister, prepares to unveil a cabinet reshuffle tomorrow in a bid to improve the Government's image.

The government changes are expected to include the dismissal of Mr Czesław Janicki, the farming minister, and the removal of many of the non-Solidarity members of the cabinet brought in last autumn as a compromise with the then established parties, including the Communists.

Critics of Mr Mazowiecki's moderate policies grouped in the Centre Agreement, a right-of-centre Solidarity faction, have been demanding such a purge as part of their drive to have Mr Lech Wałęsa, the Solidarity leader, elected president.

On Saturday farmers' representatives are to meet the Government over their demands

for minimum guaranteed farm prices, preferential interest rates on loans and high customs tariffs on imported food.

The Government has said that concessions on these points would mean the end of its International Monetary Fund-approved stabilisation programme. But failure to agree the farmers' demands means that their leaders, Rural Solidarity, under pressure from the rank-and-file, will go ahead with protest actions including roadblocks throughout the country at key intersections.

"We built our farms from nothing and we know how much effort this cost us," said one farmer, adding that Mr Leszek Balcerowicz, deputy prime minister in charge of the economy, was now saying that he would "destroy the farmers and start again from the beginning".

Poland's 2.5m farmers are nearing the end of a year in

which they have seen incomes severely squeezed by the rising cost of credit, fertilisers and machinery, with farm prices held back by falling demand for food.

At present 40 per cent of the country's dairy industry is already in the throes of bankruptcy procedures, the rest is on the verge of financial collapse and farmers in many places have not been paid for their milk deliveries for a month or more.

At the same time the forthcoming grain harvest promises low grain prices and indeed could see the state procurement companies refusing to take delivery as the silos are full with domestic as well as imported grains.

Farmers are particularly incensed at aid shipments of grain from the west which are still arriving. So far this year Poland has received \$140m worth of western food aid.

## Soviet congress warned over economy

By Leyla Boulton in Moscow

THE Soviet Government's chief strategist for economic reform, Dr Leonid Abalkin, warned the Communist Party yesterday that it would be swept aside if it stood in the way of a market economy.

In a passionate address to the Communist party congress, Dr Abalkin said the party which has ruled the country for 73 years had failed socialist ideals in every respect.

"We did not build socialism and we never lived in conditions of a socialist society," he told a largely hostile audience which tried to clap him into silence.

"If we want to have an efficient economy... if we want to have shops full of a wide range of high quality goods, if we

want to get rid of the disgrace of queues and speculators, if we want sufficiently powerful incentives for people to work, then we have no choice other than a market economy," he said, his voice cracking with emotion.

Dr Abalkin, a deputy prime minister responsible for economic reform, appeared at the podium yesterday in an unmistakable attempt by the Government to sway delegates' overwhelming hostility to market economics.

Saying that there were various models for building socialism, Dr Abalkin told delegates that a system which had failed to feed its people and lacked any democratic institutions could not be called socialist.

The party's future, he said, was tied to its ability to lead the "historic struggle" for reform, and to make socialist ideals a "factor of stability in society".

After pausing briefly as delegates began the slow clapping with which they have on several occasions tried to silence unpopular speakers, he said the country needed market "which had been used for centuries" to secure social well-being.

He then delivered his coup de grace with a warning: "Any party which tries to stand in the way of progress will inevitably be swept aside in this historic battle and suffer defeat."

"I'm sure the congress will

have enough wisdom, calm and confidence to make the right choice."

Earlier, he made his warning even more immediate in an interview with the Interfax news agency.

The agency quoted him as saying that if the party rejected the Government's economic reform programme, then the cabinet would treat it just like any party in a multi-party system.

On Tuesday, Mr Mikhail Gorbachev, the Soviet leader, suffered a humiliating blow to his prestige at the congress when delegates refused to allow the words "market economy" to be used to describe the congress's commission on economic reform.

## Rebellion boils up in party's ranks

By Quentin Peel in Moscow

A CONCERTED rebellion against most of the top echelon of the Soviet Communist Party leadership - with the continued exception of Mr Mikhail Gorbachev himself - is boiling up from the floor of the 28th party congress.

Deep bitterness and disillusion at the failure of the party leadership to provide ideological and practical support to the party organisations across the country is likely to result in a decimation of the ranks of the ruling central committee, and the Politburo itself, close observers of the congress believe.

So far the prime target of the critics has been Mr Vadim Medvedev, party secretary for ideology, and one of Mr Gorbachev's key aides.

He was accused yesterday by Mr Nursultan Nazarbayev, leader of the Kazakhstani Communist Party, of "demoralising the party forces." Another speaker ridiculed him as "a figure from a cartoon film."

Yet Mr Medvedev was only the most obvious object of an assault which included the entire Moscow leadership, and by implication Mr Gorbachev himself, although no one dared to draw that conclusion.

Another provincial party leader, Mr Stanislav Gurenko, the newly-elected boss of the Ukrainian Communist Party, attacked not only Mr Medvedev, but also Mr Alexander Yakovlev, Mr Gorbachev's closest ally in designing the strategy of perestroika, as the two men blamed for the collapse of the party's ideological function.

Speaker after speaker denounced the performance of leading members of the Politburo, whether they made good speeches or not. At a press conference yesterday, members of the Belorussian Communist Party delegation expressed scepticism about whether many of the Politburo would survive the congress - "with the repeated exception of Mr Gorbachev."

I have no doubts about Mr Gorbachev," Mr Yefrem Sokolov, the conservative Belorussian leader, declared. "As for the other members of the Politburo, going on yesterday's reports I don't want to comment on this question at all."

The vast all agreed that neither Mr Medvedev nor Mr Georgy Yastukov, party secretary in charge of personnel and administration - and another key Gorbachev aide - would survive.

The irony of the situation is that most of those under fire have been loyal aides and advisers to Mr Gorbachev and therefore he must be criticised. Yet clearly the conservatives at the conference do not have any obvious alternative to the party leader and know also that he is the only unifying force left.

## Trade surplus shows W German buoyancy

By David Goodhart in Bonn

THE WEST German trade surplus for the first five months of the current year has just outstripped the surplus for the same period last year, reaching DM56.5bn (£19.2bn) and underlining the buoyancy of the West German economy.

Most analysts expect that the medium-term effect of German unity will be a reduction in the surplus, but in the short term it seems to be having the opposite effect. The trade surplus in May rose to DM12bn, up from DM10.8bn in May last year.

However, on the current account balance, which includes services and other invisibles, the surplus is already starting to slip slightly. In May it was down to DM8.7bn from DM8.8bn and over the first five months it was more significantly reduced to DM43.1bn from DM48bn.

Further signs of continuing economic health are shown in the industrial production figures for May and the unemployment figures for June. Industrial production rose 2 per cent over the previous month, although only after the

April figure had been revised down by 2 percentage points. April and May together rose by 4.3 per cent compared with the same period last year.

The June unemployment total was 1.81m, or 6.9 per cent of the workforce. After economic union on July 1, the category of *Übersiedler* (East German refugees) to exist along with the camps that housed them, and the various benefits they could claim to ease integration.

However, the inflow of *Assiedler* (people of German origin from other parts of eastern Europe) continues and in June reached its highest ever monthly figure of 52,400. Unemployment among *Assiedler* is now 144,000, while among former East Germans it fell sharply to 90,000. Unemployment in East Germany now stands at 142,000.

● A Belgian businessman, Mr Andre Leyens, is among the first batch of industrialists to accept a position on the supervisory board of the *Treuhand*, the trust body charged with privatising East German industry.

## Takeovers in East criticised

By David Goodhart

THE East German postal, telecommunications and rail services should be privatised and "anti-competitive" takeovers by West German companies in East Germany should cease at once, according to the annual report of the West German Monopoly Commission.

The Commission, an advisory body, is especially critical of the West German authorities for allowing the takeover by Allianz of the East German insurance industry but also singles out for criticism Luft-hansa's deal with Interflug and Daimler-Benz's takeover of East Germany's main lorry producer.

Mr Carl Christian von Weizsäcker, chairman of the Commission, said competition would be further damaged if the proposed takeover of the East German electricity supply industry by the three major West German utilities was allowed to go ahead.

He stressed that the chance to create a more competitive structure than West Germany's in several East German industries should not be discarded.

In overview, however, the Commission says that despite 2,574 takeovers and mergers in West Germany in 1988 and 1989, a doubling compared with the previous two years, the trend towards concentration is not yet a serious threat.

The most likely grounds for the recent concentration is the EC's open market of 1988. The main fields of restricted competition in West Germany, according to the Commission, are transport and the media.

## Communist showdown in Moscow spills on to streets



A Soviet militiaman breaking up a street argument yesterday between a communist supporter, left, and an anti-communist

## Poll shows confusion on reforms among delegates

By Quentin Peel in Moscow

CONFUSION about the crisis in Soviet society, disagreement on fundamental measures of economic reform, and concern about the splits in the Communist Party are the dominant themes emerging from an opinion poll of delegates to the 28th party congress.

Stark contradictions between conservative and radical wings in the party show how hard it will be for President Mikhail Gorbachev to prevent a split, if not at the congress, then in the months to come.

On having a private sector in the economy, 12 per cent of delegates believed it should be totally banned, 11 per cent said it should dominate the economy, and 73 per cent thought it should play "a minor role".

As for the Government's programme of

economic reforms and crisis measures, 52 per cent said it was no more than half measures, 25 per cent feared it might lead to chaos, and only 11 per cent believed it might "radically improve economic performance".

The poll was carried out by the congress's sociological service, organised by the Central Committee, and clearly provides essential input to the party leadership in deciding its congress strategy.

But in this case, it suggests more confusion than coherence. The overwhelming concern about the state of the party, and the collapse of its Marxist-Leninist ideology, was shown by the fact that 82 per cent of delegates said the inner-party situation was the "social problem" of greatest concern.

As for the major factor accounting for "society's crisis at the time of perestroika", the largest proportion - 44 per cent - blamed lack of "clear-cut ideological targets of social development". As many as 35 per cent said people no longer believed in perestroika, while 33 per cent said political reforms had been incomplete.

The only reassuring item was that no fewer than 61 per cent said priority consideration in government policy should be given to the individual, while 24 per cent said priority should also go to the "state as a whole". On international relations, 50 per cent said they felt the foreign policy changes "only partially" met Soviet interests. Some 14 per cent said they did not meet Soviet interests at all.

## Greeks stage one-day strike over bill for longer hours

SEVERAL hundred thousand Greek workers staged a one-day strike yesterday, demanding withdrawal of a parliamentary bill to legalise longer shopping hours, part-time jobs, and an extra work-shift in factories, Kerkia Hope writes from Athens.

The Greek Trades Union Federation had called a nationwide strike, but the industrialists' Federation said only 5 per cent of factory workers stayed away, while public transport was halted, banks were closed and traffic jammed the city centre.

Under the bill, which the conservative government wants enacted this month, state-controlled banks will be able to supply private-sector criteria for hiring employees and in salary scales. The bill is meant to boost growth.

## Commission seeks common framework for energy supply

A FIRST step towards a common European policy on security of energy supply was taken yesterday by Mr Antonio Cardoso e Cunha, the Energy Commissioner, in a proposal that would create a common framework for the 12 different national policies, Lucy Kellaway writes from Brussels.

The Commission argues that with a single market in energy it would become less relevant for each country to look at security of supply from a domestic point of view.

Until now member states have jealously guarded their individual policies and have granted generous subsidies and special concessions to

their energy industry. The Commission is proposing that a harder line should be taken with these subsidies, to ensure they are compatible with the single market.

Mr Cardoso hopes that a balance can be struck between the advantages member states get from extra security against the negative effects that sub-

sides have on European competition.

In particular, he is planning to impose a ceiling on the market share in electricity that a member state can reserve for its national players, and intends to freeze at present levels long-term subsidies.

The paper will be discussed by energy ministers in July.

## Historic task for Nato summit

Robert Mauthner on the western alliance's search for a new strategy

THE NATO summit opening in London today has been billed as the most important in the western alliance's 41-year history. That is hardly an exaggeration, given that it has either to adapt to circumstances totally changed from the Cold War atmosphere in which it was created, or be condemned to follow the path the Warsaw Pact seems to be taking and disappear.

The summit, called to conduct a fundamental policy and strategy review in the aftermath of the east European political revolutions, will have two objectives. First, western leaders realise that to lay the groundwork for the new east-west co-operative framework which everyone supports, they will have to send a clear message to the Soviet Union that Nato is prepared to change its dominantly military spots.

That message needs to be all the more persuasive since it will be calculated to persuade Moscow that a united Germany should remain a member of Nato, which the Russians have so far refused to accept.

The western argument - that such a solution would be in the Soviet Union's interest, since it would prevent Germany from acting as a "loose cannon" in the centre of Europe - has not been lost on the Russians. The latter have made clear, however, that they need to be reassured that Nato will be a different animal from the war machine they have always considered it to be.

The Nato leaders' second objective is that the principal purposes of the alliance - the collective defence of the 18 member countries - continues to be ensured. All members recognise the need to assure that defence with fewer troops and armaments than today and that the prospect of either a conventional or nuclear attack by the Soviet Union in present

circumstances is minimal. Yet most of them do not believe that such a threat has vanished altogether and fear therefore that the west's guard must not be lowered completely. Even after the unilateral withdrawals from eastern Europe and the completion of conventional and nuclear arms control talks, the Soviet Union will remain a military superpower.

The task of the alliance leaders will be to combine these two prerequisites: the adoption of a constructive attitude to building a new European security order and an effective, if modified defence posture - in a position which will taste like an elixir to the Russians, while not poisoning some of the more hard-headed Nato members.

The alchemy, it is confidently expected, will be achieved by a political commitment to strengthening such pan-European organisations as the Conference on Security and Co-operation (CSCE), further negotiations to reduce both conventional and nuclear arms and a judicious rephrasing of Nato's military doctrine to give it a less "offensive" ring - in both senses of the word.

The political message from Lancaster House is likely to be very similar to that sent at the beginning of last month by Nato Foreign Ministers from Turnberry in Scotland.

But there are a number of additional sweeteners to please Moscow, such as the willingness of Nato countries to sign a joint declaration with Warsaw Pact members (though not on a pact-to-pact basis) on their

mutual peaceful intentions. Agreement between Nato countries on the political message to be sent to the Soviet Union, however, is not entirely echoed by a consensus on military doctrine. West Germany is anxious that nothing in Nato's military posture, nuclear doctrine or arms control policy should upset Moscow or its

French ally. The US defence secretary, yesterday warned members of the Nato alliance against complacency over the recent positive developments in east Europe and in conventional arms talks, Karen Fosell writes from Oslo.

He suggested in Oslo that the recent relocation of Soviet airforces from central Europe to the Kola peninsula to the north-east of Norway may have been a means of circumventing any future Conventional Forces in Europe treaty.

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## Western donors extend aid programme



US Secretary of State James Baker (left) and Francisco Fernandez Ordoñez, Spain's Foreign Minister, study their working papers

By David Buchan in Brussels

THE GROUP of 24 Western aid donors yesterday formally extended their assistance programme from two to six east European countries. But they came to no decision on help for the Soviet Union.

The question of aid for eastern Europe was discussed at a meeting of the foreign ministers from the G-24, which includes the 12 European Community nations plus Japan, the US and other smaller western countries.

They wound up their meeting with a communiqué that expressed interest in - as distinct from support for - the European Community's idea of a new Ecu100m (£7m) financial safety net for eastern Europe and for its recently launched study into possible help for the Soviet Union.

Mr James Baker, US Secretary of State, said that while macro-economic stabilisation in eastern Europe should generally be left to the International Monetary Fund, there had been cases, such as currency stabilisation in Poland, when G-24 action had usefully complemented IMF operations.

Mr Douglas Hurd, UK Foreign Secretary, echoed worries about overlapping facilities for eastern Europe. The G-24 ministers responded to this Anglo-American scepticism by telling the EC to refine its safety net idea further.

The possibility of broad western aid for the Soviet Union edged closer with yesterday's communiqué, in which the Commission promised to inform the G-24 countries of whatever Soviet aid proposals it came up with. Last week's EC Dublin summit charged the Commission to produce such proposals.

Mr Baker reiterated US objections to unconditional aid to a superpower still spending 18 to 25 per cent of its gross domestic product on arms and funding certain anti-American regimes around the world.

But he said Washington wanted perestroika to succeed and so the debate was really over "what sort of conditionality" should be tied to aid. The US would not stand in the way of its allies giving Moscow aid, he added.

The fluidity of the G-24 exercise was underscored yesterday when Mr Baker expressed "great concern" about rising internal tensions in Yugoslavia, especially in Kosovo province, by force yesterday's decision. Yugoslavia, Bulgaria and East Germany, is now in the G-24 aid programme that has so far raised about Ecu10bn for Poland and Hungary.

Romania remains excluded from the aid programme but Mr Frans Andriessen, the EC Commissioner who co-ordinates the effort, said "the door is open" to Bucharest once democracy is assured there.

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The Financial Times (Europe) Ltd  
Published by the Financial Times  
(Europe) Ltd, Frankfurt Branch,  
Grafstrasse 54, 6000 Frankfurt-  
am-Main 1, Telephone 069-70900; Fax  
069-722677; Telex 416191; represented  
by E. Fuchs, Frankfurt/Main, and, as  
agents of the Press Syndicate  
R.A.P. McCann, G.T.S. Dunn, A.C.  
Leahy, D.E.P. Plante, London, Essex,  
Frankfurt, Societate-Druckerei  
GmbH, Frankfurt/Main. Responsible  
editor: Sir Geoffrey Owen, Financial  
Times, 1, Cannon Row, London, EC1N  
6NY. Telephone 01-574 6000. Telex  
330000. Cable 330000. Fax 01-574 6000.  
Registered office: Number One South-  
ampton Way, London SE18 6PH. Com-  
pany incorporated under the laws of  
England and Wales. Chairman: J.E.P.  
Parker. Main shareholders: The Finan-  
cial Times Limited, Publishing director: B. Hughes.  
100 Rue de Rivoli, 75004 Paris Cedex  
01. Tel: (01) 4297 0621; Fax: (01) 4297  
0625. Editor: Sir Geoffrey Owen.  
Printed by Neel Edele, 1501 Rue de  
Caen, 59100 Roubaix Cedex 1. ISSN  
1366-1875. Commission Paritaire  
No 6780/82.

Financial Times (Scandinavia) Oster-  
gade 44, DK-1100 Copenhagen  
Denmark. Telephone (01) 13 44 41. Fax  
(01) 333333.



## INTERNATIONAL NEWS

## Nicosia applies to join EC on behalf of all Cyprus

By David Suchan in Brussels and Jim Bodger in Ankara

CYPRUS yesterday delivered its long expected application to join the European Community, saying that this reflected the Mediterranean island's European destiny and values.

The application, in a letter to Mr. Gianni De Michelis, the Foreign Minister of Italy - which now holds the EC Council presidency - is for EC membership of the whole island.

Mr. George Iacovou, the Greek Cypriot Foreign Minister, said he hoped that the Turkish Cypriot community on the northern part of the island would take the entry bid positively and that Turkey would see the "inconsistency" of trying to join the EC itself while denying that right to Cyprus.

However, Mr. Ali Baser, Turkey's Foreign Minister, described the application as completely invalid legally and politically on the grounds that it was made without the agreement of the Turkish Cypriots. Mr. Baser, at a group of 24 meeting in Brussels, said Turkey had supported opposition to the application from Mr.

Ramf Denktash, the Turkish Cypriot leader, before its submission. It would create serious problems for settlement talks between the Turkish and Greek Cypriots, he said; these are expected to restart later this summer.

It was unclear yesterday whether EC foreign ministers would use their next regular meeting on July 16-17 - at which Malta is also likely to apply to join - to invite the Commission to prepare an opinion on the Cypriot application, or leave until September a request for the Commission to start work. The Commission is expected to take about two years to produce its opinion.

Legally, the EC, like all governments bar Turkey, recognises only the Greek Cypriot government of Nicosia and insists its agreements with Cyprus, dating back to 1973, should benefit the whole island. But EC officials concede problems in the Nicosia government asking for membership for the whole island, but exercising control over only part of it.

## Papandreou's cabinet tried to defraud EC

By Kerin Hope in Athens

A FORMER Greek Foreign Minister admitted yesterday that he and five other cabinet ministers in the Socialist government of ex-Prime Minister Andreas Papandreou jointly covered up an attempt by Greece to defraud the European Community.

Mr. Karellos Papanoulas told a special court trying one of the former ministers that the cover-up of an illegal maize sale was "in the country's best interests."

"It's a routine practice among EC member-states," he asserted. "Some countries believe their economies will be destroyed if they don't do it."

A former Deputy Trade Minister, Mr. Nikos Athanassopoulos, is being tried for his part

in defrauding the Community of \$2.5m in countervailing duties by declaring that a shipment of Yugoslav maize sold to Belgium was of Greek origin. Mr. Athanassopoulos is the only former government member to be tried in connection with the corn scandal. Twelve civil servants face similar charges.

Mr. Papandreou and five other members of his administration have been indicted in connection with financial and wiretapping scandals. Their trial dates have not been set.

An EC inspector testified last month that Mr. Athanassopoulos blocked an inquiry into the scandal in 1988. The trial began on May 28 and is expected to last several months.

## Rome uneasy over banking competition within EC

By John Wyles

THE unease within the Italian Government and banking industry about the financial sector's readiness to face free competition within the European Community was strongly in evidence at the annual assembly yesterday of the Italian Bankers' Association.

Mr. Piero Barucci, the association's president, Mr. Carlo Azeglio Ciampi, the governor of the Bank of Italy, and Mr. Guido Carli, the Treasury Minister, all placed unusually strong emphasis on the risks which lie ahead and the continuing absence of a coherent strategy for dealing with them.

Mr. Barucci saw difficulties in bringing Italian interest rates down to average EC levels, a tougher period ahead for Italian banks because of their new freedom to open branches without prior administrative approval, and also new risks in a recent decision to allow banks to take control of insurance companies. He called for rapid passage by the parliament of laws which will allow for bank restructuring, reform of the stock market and the regulation of financial intermediaries.

Mr. Carli acknowledged the necessity of these laws but worried about their mutual compatibility after parliament had introduced a variety of conflicting amendments to the draft legislation. For this reason, he intended to seek delegated approval from parliament which would give the government powers to "reorder" the legislation on bank and non-banking financial intermediaries.

Mr. Ciampi again stressed the need to bring Italian inflation - currently at an annual average of 5.6 per cent - down to average EC levels.

The lira's entry into the narrow band of the Exchange Rate Mechanism required "coherent behaviour" across the economy from government to companies and trade unions, aimed at curbing the growth in domestic prices. The Governor also expressed some concern about the fall in Italian banks' capital ratios from 12.7 per cent to 10.3 per cent at the end of last year.

## Three nations press for commercial whale kills to start again

By Ronald van de Krol in Noordwijk

IF JAPAN, Norway and Iceland have their way, commercial whale-killing will be allowed again from late 1990, ending a four-year worldwide ban seen as one of the greatest victories for wildlife conservationists in the 1980s.

The three nations are pressing for limited return to commercial whaling at the 42nd annual conference of the International Whaling Commission (IWC), being held this week in Noordwijk, near The Hague.

The conference pits Japan, Norway and Iceland against other governments and environmentalist groups who argue the world's whale population is still too vulnerable to let commercial hunting go ahead again. Japan, Norway and Iceland need the backing of three-quarters of the 29 countries at the conference to resume commercial hunting. Their chances of winning quotas this year are slim.

Greenpeace, the environmental group, says the conservationists are confident of victory. But they have been surprised by the forcefulness of the pro-whaling nations' efforts. These hint they may leave the IWC if their wishes are blocked. Focus of attention is the minke whale, smallest of the great whales and the last to be hunted in the 1980s before "zero catch limits" went into effect.

Iceland wants to hunt up to 400 minke whales a year in the

mid-Atlantic in the early 1990s. Norway wants to "harvest" up to 2,000 in the north-eastern Atlantic; Japan seeks a quota for minke in its coastal waters and in the southern Antarctic. The debate revolves around how many whales are left in the world's oceans, and the effect of resumed hunting. The IWC's scientific committee believes there are about 760,000

## Conservationists are surprised at the forcefulness of the pro-whaling nations

minke whales in the southern hemisphere, but there is less agreement on the number of minke in the Atlantic.

The whaling moratorium, first agreed in 1982, was introduced in 1986 but only effective in 1988, when Japan lifted its objections. Since 1986, all three countries have conducted scientific killings of whales to compile data. The Soviet Union recently announced plans to kill 200 whales for research. Conservationists call these killings commercial "harvesting" in the name of science. Lobby groups outnumber national delegations two to one at the conference. Outside, Greenpeace has three plastic whales marked "Stop the killing". Inside, Norwegian fishermen demand the right to hunt minke whales.

## Bank of Mexico wins lucrative contract to print Peru banknotes

By Richard Johns in Mexico City

THE Bank of Mexico has acknowledged that it is printing bank notes for Peru, which could be a lucrative business given the South American country's 2,200 per cent inflation rate.

Fabrica de Billetes, an affiliate of the Central Monetary Authority, has an initial contract to print 40m bills of 100,000 Inti denomination and a further 40m notes of 500,000 Inti.

El Comercio, a Peruvian newspaper, recently reported that Fabrica de Billetes had bid \$26.60 for every thousand notes printed, compared with an average bid of \$42 from European printers.

The Mexican money-printing press is not revealing the overall value of the initial contract, but it could be open-ended one depending on how successful the newly elected President Alberto Fujimori of Peru is in bringing down inflation.

cents, they will be worth more than the paper they are printed on.

Several months ago, however, when the Peruvian government introduced a series of 10 Inti notes, by the time they reached the streets they already cost individually more to produce than they were worth.

The management of Fabrica de Billetes, surely mindful of the fact that at the peak of Bolivia's hyper-inflation the Latin American country's biggest imports were bank notes from Thomas de la Rue and that shoppers had to carry cases full of bills to the supermarket, must be encouraged at the prospect of business with Peru.

Moreover, with Mexico's monetary aggregates generally under control, it can be assumed that Fabrica de Billetes has considerable spare capacity.

Although inflation this year looks set to exceed the Government's projection of 15.7 per cent for the year - it will be nearer 25 per cent, according to the Centre for Private Sector and Economic Studies - the rate of price increases is considerably down from its high point of 159 per cent three years ago.

## EC plans better tariff preferences for the Third World

By Lucy Kellaway in Brussels

THE mechanism under which the EC grants trade advantages to Third World countries is out of date and needs to be overhauled, the European Commission decided yesterday.

It said the Generalised System of Preferences - in operation for 20 years - had been made increasingly irrelevant by successive Gatt rounds, which had reduced the tariff levels and therefore reduced the advantages of the GSP.

The system had become increasingly complex to administer, was not transparent, and was of limited help to the poorest countries in becoming competitive, the Commission said.

However its proposals fall short of the wholesale review of the system demanded by some.

The Commission is suggesting that quantitative restrictions be phased out, opting for a more flexible system that takes account of the competitiveness of the country and the type of goods involved.

The Commission has also proposed extending the range of goods covered to keep step with the growing number of sectors falling under the Gatt umbrella and the increase of these products from Third World economies.

Brussels also wants to improve the rules of origin on the products that qualify.

Its suggestions will be put to trade representatives in Paris in September, although it said yesterday there would be no point in introducing a new scheme until the outcome of the Uruguay Round had become clear.

This would mean extending the present system into 1991, and bringing in the new arrangements the following year.

At the moment the benefits from the GSP fall unevenly, with 10 countries accounting for 70 per cent of the total benefit.

This amounted to Ecu1bn (\$1.23bn) in 1988 in terms of reduced duties.

## UK insurer quits a US market

By David Barchard

ROYAL Insurance, the largest UK composite insurer by premium income, is to withdraw from the Massachusetts motor insurance market, at a cost of \$40m in exit fees to Massachusetts Commonwealth Automobile Reinsurers, the residual market association.

Royal has been losing about \$10m a year for several years on its motor insurance business, which accounts for 63.3m of its \$119m annual business in the state.

The deal with the Massachusetts authorities will allow Royal to continue to sell general

insurance and life assurance in the state, and to spread the \$40m payment over four years.

Insurance companies have found it difficult for several years to make a profit in the US motor insurance business because of rate regulation by the authorities and high levels of damage awards.

Royal's deal compares favourably with one negotiated in 1988 by another British insurance group, General Accident, which pulled out of motor insurance in Massachusetts but had to surrender its licence for other insurance activities in the state.

Mr. Roy Randall, for Royal, said that despite the depressed state of much of the US motor insurance market, Massachusetts was the only state from which the group would withdraw.

"We are not contemplating withdrawing from California, but we shall be reducing our exposure to it. Our strategy is to concentrate on those states where we have the greatest potential for profit," he said.

Commercial Union, another British insurance group, is also considering quitting the Massachusetts market.

## US defence chief goes private

MR CRAIG FIELDS, who was abruptly reassigned in late April to be deputy director of Defence Research and Engineering at the US Defence Department, is to head Microelectronics and Computer Technology Corporation, a US electronics industry research consortium, Louise Kehoe writes from San Francisco.

He is to join MCC as president, chief technical officer and chief operating officer next week.

# How do Europe's best business people get the top jobs?

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## INTERNATIONAL NEWS

## S Africa inquiry backs limits on mine funding

By Philip Gawth in Johannesburg

A South African government inquiry into marginally profitable mines has recommended that state assistance only be given when in the national interest and when a mine is not dependent on assistance for its long-term viability.

The report comes on the heels of an inquiry into the ERPM mine's future, and at a time when the local industry is under considerable strain following a fall in the gold price from a February high of \$425.

Although the price has recovered slightly in the past week, numerous operations remain unprofitable.

The committee of inquiry, chaired by Dr Ory Marais, Deputy Minister of Finance, said it is marginal mines were closed over the next five years, 77,000 jobs would be lost.

The loss of total value-added would be equivalent to 3.6 per cent of Gross Domestic Product in 1989.

Although gold remains central to the economy, the committee's report says its relative importance as a contributor to GDP, and as an employer, taxpayer and exporter, had declined significantly over the past three decades.

According to the Reserve Bank, value added by gold was 8.1 per cent of GDP in 1989 and gold exports were 23.2 per cent

of the country's total exports in that year.

On the basis of a profit-to-revenue ratio of less than 6 per cent for the six months to June 30 1989, the Chamber of Mines classified 13 mines as marginal.

These mines provided about 13 per cent of the country's gold production in 1989.

State assistance to the gold-mining industry dates back to 1918. Since the start of 1988 this has been on an ad hoc basis, with most aid in the form of general financial assistance and with the pumping-out of "extraneous water".

The report also recommended that assistance should only be provided where there was evidence that mines were taking separate measures to address financial problems.

"This might include negotiating with big suppliers for favourable treatment, responsible wage-determination and utilisation of futures contracts in gold and dollars."

It is also suggested that state assistance should be given indirectly - such as the state being a party to agreements between a mine and financial institution - with direct assistance limited to extreme cases and with strict conditions attached.

## Mandela seeks to allay foreign investors' fears

By Michael Holman

GREATER state participation in the economy of a post-apartheid South Africa would be necessary unless other ways of improving black living standards and meeting the needs of the poor were found, Mr Nelson Mandela told a meeting of 250 British business leaders in London yesterday.

"We believe there will be a mixed economy, though we have no blueprint as to the make-up of that mix," the deputy president of the African National Congress said in a speech designed to reassure foreign investors.

Mr Mandela told the meeting, organised by the Confederation of British Industry, that private capital, both domestic and international, would have a vital role to play in the economic and social reconstruction of South Africa after apartheid.

"It will be critical that the economy grows rapidly and at rates that supersede population growth. This cannot happen without large inflows of foreign capital, including British capital," he said.

"We must have access to the management skills, the body of technology and the risk capital which make for the success of your own corporations in both the domestic and international markets. We are sensitive to

the fact that as investors in a post-apartheid South Africa you will need to be confident about the security of your investments, an adequate and equitable return on your capital, and a general climate of peace and stability."

But Mr Mandela went on to emphasise that an ANC government would seek "growth with equity".

A spontaneous "trickle down effect" would never be sufficient to redress the gross imbalances that were embedded in the South African economy. "The intervention of the democratic government... will therefore be necessary and inevitable."

He said the economy would have to be restructured. Although he did not elaborate on this in his prepared text, in a brief question and answer session that followed he made clear that imbalances could not be remedied simply through changes in taxation.

Mr Mandela stressed that the ANC approach to state participation - he did not use the word nationalisation - was "not dogmatic".

The party was aware of mistakes made elsewhere, would call on expert advice within and outside South Africa, and would not take unilateral action.

## Kenyan rally called off

By Julian O'Connell in Nairobi

PRO-DEMOCRACY leaders in Kenya backed off yesterday of organising the first significant opposition rally in the country since the 1990 general election, warning that the meeting could degenerate into a blood-bath.

Mr Kenneth Matiba and Mr Charles Rubia, two former cabinet ministers who are leading the campaign for a multi-party democracy, said they would not hold a mass meeting on Saturday because the government had refused to grant them a licence.

They also denied claims made by President Daniel arap Moi that they were plotting to have people indiscriminately shot at the rally and then blame the Government.

The statement comes amid mounting tension about the possibility of violent clashes between supporters of the two main parties in the face of government warnings that the meeting could degenerate into a blood-bath.

Throughout the week Mr Moi has been strongly warning people not to attend the "illegal" meeting organised by "power hungry individuals".

He has also threatened that the police will use their full powers to protect state security.

In a lunch-time broadcast yesterday the president said he had been too lenient for too long and was now running out of patience.



Alberto Fujimori: honorary citizen

## Peru's president-elect ends Japan tour on high note, but empty-handed

## Fujimori proves a home-town hit

By Michio Nakamoto in Tokyo

MR Alberto Fujimori, Peru's president-elect and the son of a Japanese immigrant, yesterday made a triumphant return to Kawachi-machi, a small town on the southern island of Kyushu which his parents left 60 years ago.

Ever since Mr Fujimori, a second-generation Japanese-Peruvian, entered the presidential race in Peru, the townspeople have been following his fortunes with much interest and nervous concern as if he was one of their own.

Following his victory in the presidential run-off early last month, "Fujimori fever" swept through the usually sleepy farming town.

The heavy rains that have hit Kyushu, claiming 27 lives in the past few days, were not about to prevent townsfolk turning out to cheer his "homecoming"; even the skies cleared for the first time after days of downpours.

As he arrived at the local airport in Kumamoto city, Mr Fujimori was greeted by a crowd of more than 100 citizens. His relatives, who still live in Kawachi-machi, were also there for the reunion.

The reception was warmer than in Tokyo where, despite attempts to play up his Japanese background, officials have responded cautiously to claims that the president-elect's ties with Japan would help him win Japanese financial assistance.

Mr Fujimori today winds up his five-day trip to Japan, during which he was received by Emperor Akihito. In meetings with Prime Minister Toshiki Kaifu, members of the Diet and Japanese industry, he repeatedly stated that he hoped to receive financial assistance from Japan in his first and most crucial task as president, namely rebuilding the Peruvian economy.

Japan suspended low-interest yen credits to Peru in 1984 when international financial institutions, such as the International Monetary Fund, cut off financial aid following the country's non-cooperation in repayment of external debts.

The Japanese Government, however, failed this week to make any specific commitments other than a promise to send specialist missions to Peru to study measures for rebuilding the economy.

Senior officials have stated publicly that they cannot give Peru special consideration because of Mr Fujimori's Japanese background. The primary concern for Japan is that Peru co-operate with international institutions in working to resolve the problem of accumulated external debts.

The Tokyo crowd shouldered, however, has not dampened enthusiasm in Kawachi-machi. Soon after Mr Fujimori's election victory the townsfolk decided to make him an honorary citizen - the first time the town has accorded such an accolade. Peru now looms large in the minds of local schoolchildren who yesterday waved the red and white Peruvian flag excitedly as they struggled to shake his hand.

This was Mr Fujimori's second visit to his parent's home town, but it was a very different kind of homecoming. On his last trip he was chided by his uncle for not taking off his shoes on entering the house, as custom and good manners require in Japan.

## Rice price cut condemned by farmers' lobby

By Robert Thomson in Tokyo

THE Japanese Government was condemned yesterday by groups representing farmers over a proposed 1.5 per cent cut in the official price of rice and for indications that international pressure could force open the rice market.

But members of the Rice Price Council, which is supposed to set the price, criticised the Government for keeping it too high, and said the price setting process had been manipulated by politicians anxious about the farm lobby.

The 1.5 per cent cut, which lowers the producer price to ¥16,500 (\$22.90) for 60kg, will be the first in two years, and follows a decision not to reduce the price last year for fear of electoral losses by the ruling Liberal Democratic Party.

Mr Toshiki Kaifu, the Prime Minister, said yesterday the proposed cut was "reasonable" and was reached after "considering opinions from a variety of sectors", although the Rice Price Council is yet to give formal approval.

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## NEC launches fast computer

By Stefan Wagstyl in Tokyo

NEC, the Japanese electronics combine, yesterday launched a range of mainframe computers, which it claims are the fastest in the world.

The company claimed its machines would out-perform a model unveiled last month by Hitachi, a rival electronics group. The announcement will intensify pressure on other makers to bring out new machines, including IBM, the world market leader, which is developing a mainframe called Summit.

NEC said the top of the range model of the new range - the ACOS System 3300/60 - can process 500m instructions per second (MIPS), using six processing units. This compared with 155m instructions for the M880/420, the top model announced by Hitachi a month ago.

NEC said the ACOS 3300 was between 4.7 times and 2.5 times faster than its current top range the ACOS 1500. It plans to start shipping the ACOS 3300 models in April next year.

## Four charged with tax fraud in stock scandal

By Stefan Wagstyl in Tokyo

FOUR former employees of Kokusai Kogyo, a Japanese company at the centre of a stock trading scandal, were indicted yesterday on tax fraud charges.

Mr Norio Ishibashi, the company's former treasurer, and three former colleagues were accused of evading taxes totalling ¥100m (\$23m) on profits made trading Kokusai stock during a hostile raid on the group in 1987 by Mr Mitsuhiko Kotani, head of a speculative investment syndicate.

Mr Kotani later won control of Kokusai in a controversial takeover. The Tokyo District Prosecutor's office alleges the four made profits on their own account using information about the bid gained from their work. The investigation has wide-ranging implications since Mr Kotani has links with senior politicians.

The prosecutors' office yesterday re-arrested Mr Ishibashi, aged 40, and Mr Yoshitaki Inoue, his 47-year-old

former deputy in the financial department. They are alleged to have embezzled ¥850m of Kokusai Kogyo's money.

According to the investigators, Mr Ishibashi and Mr Inoue originally co-operated with Mr Kotani in his effort to buy Kokusai shares. But they later fell out with him and decided to seek other investors in the hope of persuading them to buy shares to block a bid by Mr Kotani to corner Kokusai Kogyo's stock.

Prosecutors said the two had taken the company's money between February 2 and April 11 of 1988 and paid it to an unnamed political group leader and other investors. Mr Ishibashi resigned from Kokusai Kogyo on April 11 but between then and October 16 spent a further ¥750m trying to get support for blocking Mr Kotani.

Koshin, an investment group headed by Mr Kotani, finally won control of Kokusai Kogyo in December 1988.

## New Delhi steps up austerity drive

By K.K. Sharma in New Delhi

THE Indian cabinet has ordered fresh austerity measures after a review this week showed a shortage of resources and potential balance of payments difficulties.

The Finance Ministry has requested an across-the-board spending cut of 10 per cent from all government departments, focusing on administration. It is seeking to cut the budget deficit - which is showing signs of exceeding the projected Rs40bn - by nearly Rs40bn (\$1.8bn).

Further cuts cover foreign exchange expenditure, the first in a series of cuts that will seek to reduce departments' foreign exchange spending. Reserves now cover less than two months' worth of imports, which would make it difficult to provide for emergencies.

Measures to conserve foreign exchange were introduced a fortnight ago; supplies of petroleum products to industry and other consumers were cut in an attempt to reduce crude imports by about 3m tonnes this year.

The Government has now announced that the foreign travel budgets of all ministries will be reduced by 20 per cent. Imports of components will be cut by 10 to 15 per cent, and all foreign offices of agencies promoting foreign investment and trade abroad will be closed. In addition, some sections of the large Indian missions in London and Washington are to be wound up.

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## Zambia court spurns general's 'confession'

By Mike Hall in Lusaka

ZAMBIA'S high court ruled as inadmissible evidence yesterday a "confession" by Lt Gen Christopher Tembo, a former army commander charged with treason for his alleged involvement in a 1988 plot to overthrow President Kenneth Kaunda's government.

The court ruled that the statement had been extracted by security officers while the general was being interrogated, that he had been denied medical treatment for his diabetes and that he had been threatened by threats against his family.

The former army commander, charged with treason, appeared relaxed but defiant yesterday as a heavily armed paramilitary unit surrounded the Lusaka court.

He described the recent unrest as "an indication of the people's feelings when he talked to a reporter during a recess. The general was a popular figure in the army and analysts say many in the ranks are angered by his mistreatment."

Many civilians showed their support for him, shouting "Kaunda and Tembo in" during last week's anti-government protests. "I thank them for that... the struggle must continue," he said.

In the lower courts, more than 100 people accused of plotting and looting appeared under heavily armed guard to deliver their pleas. Thirty-four university students were also due in court.



An orthodox Jew yesterday confronts left-wing demonstrators protesting against the high number of Arab youths killed in Jerusalem since the Arab uprising started two years and eight months ago

## Rabin seeks early leadership vote

By Hugh Carnegie in Jerusalem

MR Yitzhak Rabin yesterday offered the electorate a clear alternative to the Government's headline policies.

Speaking to foreign reporters, Mr Rabin said he did not believe Mr Shamir's coalition could advance a stalled Israeli-backed initiative to start Israeli-Palestinian talks on the occupied territories. "Without starting a dialogue with the Palestinians... nothing will move in the peace process."

"The peace process remains frozen... we will see more and more an inclination among Arab countries - led by Iraq - to take more extreme political positions towards Israel."

Mr Rabin will today try to persuade the party leadership to set an early date for a leadership election in Labour's central committee. He believes the party is unelectable under Mr Peres, leader through four unsuccessful election campaigns. "There is no doubt that without winning potential voters of the moderate right we will not achieve victory. This is one of the reasons why I'm a candidate for the leadership."

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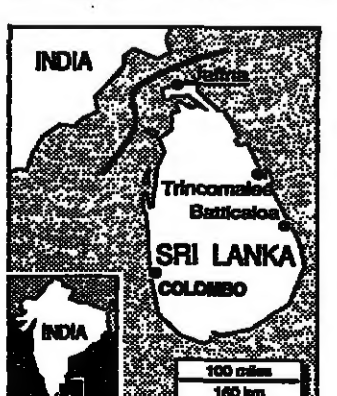
## Sri Lanka slips into yet another cycle of ethnic violence

Mervyn de Silva examines the background to the renewed civil war between the Government and the Tamil Tigers

A STRANGE sight greets joggers on Colombo's famous Galle Face esplanade these days. By dawn, a small queue starts to form close to the old Parliament House. Across the road is army headquarters. By noon the queue of young men has grown to several thousand strong. All of them are Sinhalese, who make up 75 per cent of the island's 17m population. All want to join the new war against the separatist Tamil Tigers, dubbed locally Belam War Two.

Belam is the name of the independent state which the Tigers and other rival militant groups wish to set up in Sri Lanka's north-east, their traditional homeland. The Tigers (LTTE), the toughest of the lot, have been waging their guerrilla war for almost 15 years.

After a short period of peace



Minister Rajiv Gandhi signed a "peace accord".

The pact gave the Tamils a substantial measure of regional autonomy through a north-east provincial council. Trincomalee, the strategic Indian Ocean port and Sri Lanka's naval base, would be a special zone. After 12 months, a referendum would be held in the region to decide whether the merger should continue.

In the east, the main area of confrontation, the Tamils compose only 42 per cent of the population. The Moslems and the Sinhalese make up the rest in about equal proportions.

All the Tamil parties accepted the pact as a fair deal except the Tigers - the most powerful group - who argued that the east was part of the Tamil homeland until the Sinhalese "colonised" it by introducing Sinhala settler-farmers.

The Tigers boycotted the provincial polls supervised by the IPKF. The Tigers' main rival, the pro-Indian EPRLF, swept the poll. The Tigers, who are determined to seize the east by force since the north alone is not economically viable, went back into the jungles to bide their time.

The IPKF found that it could neither disarm the Tigers and force them into the democratic mainstream nor crush them militarily. It did keep the Tigers bottled up in the jungles, but at a high cost. The initial 6,000-strong force grew to 60,000 troops, 1,300 of whom were killed and 3,000 injured. Over two years \$1bn was spent in the Sri Lankan misadventure.

But the presence of an "occupation army" fuelled the highly emotional propaganda of the Sinhalese extreme

nationalist group, the JVP. Once elected, Mr Premadasa tried to undermine the JVP's appeal by demanding the IPKF's withdrawal.

Having terrorised the middle-class and the established political parties, and paralysed the administration and transport services, the JVP was ready for the final push. An over-stretched army could not fight a two-front war against both the Tigers and the JVP if the IPKF left. But President Premadasa had already established contact with the Tigers and peace talks were in full swing when the JVP launched its final operation to "take Colombo". The army, freed temporarily from fighting the Tigers, was able to concentrate on the JVP and crush them. The official death toll was 16,000. Human rights groups place it much higher.

Many Sinhalese believe that Mr Premadasa has been tricked by the Tigers, who had been secretly preparing for "Eelam War Two" all along. But the Tigers may just have grown tired of negotiating with the Government. The talks lasted 14 months but nothing had been done to withdraw the sixth amendment, which makes it illegal to espouse separatism, nor to dissolve the north-east provincial council.

The Tigers probably suspected deliberate delaying tactics although constitutional changes need a two-thirds majority in parliament which Mr Premadasa's ruling UNP does not command. Trying to woo the smaller opposition parties including the Moslems has been difficult and time-consuming.

Mr Premadasa has finally introduced a bill enabling the

north-east provincial council to be dissolved but it has been challenged in the courts by an EPRLF member of parliament.

But Mr Premadasa also alienated the army and the Sinhala opposition just before the latest violence by thinning out troops, dismantling small army camps and reducing the security presence in the north-east. Mrs Sirimavo Bandaranaike, the opposition leader, the Buddhist clergy and the Sinhala press have roundly condemned Mr Premadasa's "policy of appeasement".

Once again, the Tamils and the Sinhalese are both infuriated, government policy is losing direction and Sri Lanka's aid donors are becoming increasingly anxious as the death toll mounts, allegations of atrocities return and the tragedy of the country appears unending.

Parties discuss reform programme

TAIWAN'S emergency conference on national affairs, a six-day brainstorming session on how to reform the government, ended up last night with both main parties agreeing that it had been a success, Peter Wickenden writes.

President Lee Teng-hui bowed to public calls for the conference on the eve of his election in March. Most of the 235 participants were selected from the Kuomintang, the rest coming from the Democratic Progressive Party, former dissidents, politicians, businessmen and academics.

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## INTERNATIONAL NEWS

## Food is added to Mozambique's armoury

Julian Borger reports on the plight of the latest people displaced by a 15-year civil war

IN Zambezia, one of the most fertile regions of southern Africa, thousands of peasants are arriving at relief camps, exhausted, dressed in bark stripped from the surrounding forest, and starving. They are the *deslocados*, people displaced from their land by the most recent wave of fighting in Mozambique's 15-year civil war, a conflict that, revolves, now, around the control of people and the food they produce.

The best chance to date to put a stop to the fighting was shattered away earlier this month as direct talks between the Mozambican Government and Renamo rebels were aborted in Malawi. Both sides, together with Kenyan and Zimbabwean mediators, had delegations in Blantyre, but Renamo's leader, Mr. Afonso Dhlakama, left town before talks began, repeating previous Renamo objections to Malawi as a venue.

In the southern and central provinces, with substantial help from the Zimbabwean army, government troops have been attacking Renamo military bases. In Zambezia, they have moved into traditionally Renamo-held rural areas and brought the civilian population back to camps in the towns and villages they control.

The civilians are officially claimed to have been "liberated," not without some justification. *Deslocados* arriving at the small Zambezia town of

Some of the *deslocados* (displaced people) at a relief camp in Zambezia province

Alto Molocue described how Renamo habitually extorted supplies from them. "The *mambos* (Renamo chieftains) would send their men to everyone's place demanding food," explained Vicente Murivwa, formerly a peasant farmer, now another refugee dependent on food aid.

"They told us anyone who refused would be taken to the Renamo base and whipped," he said. "Renamo has a record of being still more brutal to civilians outside their areas of control, regularly massacring entire villages suspected of siding with the ruling party, Frelimo."

Vicente Murivwa walked to Alto Molocue of his own

accord. Other *deslocados* said they had been forced to flee when their houses and crops had been burnt down as government troops moved into their area.

BUT crowding the rural population into camps also serves the purpose of cutting off Renamo's food supply. It is the continuation, this time for purely military purposes, of the discredited collectivisation policies of the early eighties, which are now thought, even in Frelimo circles, to have driven many peasants and their chiefs into the arms of Renamo first of all.

The strategy may now have short-term military advan-

tages, but the end result could be mass starvation. Aid agencies working in Zambezia estimate that there are over a million *deslocados* in the province, half the national total. Even if foreign donors meet the pledges made at this year's emergency appeal, there will be food for only 400,000.

The *deslocados* are the victims not only of the war but also of "donor fatigue." By the time the appeal - Mozambique's unprecedented fourth in succession - came round in New York in April, the rest of the world was fast losing interest, as a consequence of the distractions of eastern Europe, and impatience over both sides' failure to reach a peace

agreement. There is also disillusion over the level of corruption in the official food distribution system.

UN officials believe that more than 12 per cent of Mozambique's food aid is diverted for sale at a profit by government officials and soldiers. Several foreign and Mozambican relief workers in Zambezia are privately expressing their concern that the higher ranks in the military are making too large a profit from the war to have an interest in a lasting peace.

The Mozambican Government, on the advice of aid agencies, scaled down their request for emergency assistance this year to \$136m, just over a third of last year's appeal. It was a realistic figure in terms of what the world was prepared to contribute, but aid officials say, it is less than half of what will be needed.

Even if a working peace was signed today, the country's food crisis would remain, if not worsen, as over 900,000 refugees made their way back from Malawi and Zimbabwe. In the long term, of course, food production would increase when the population felt safe to return to the land.

Provinces like Zambezia could be self-sufficient after two harvests. But for Mozambique's *deslocados*, confined to relief camps waiting for food, that will probably never arrive, the long term may be too long to wait.

## Release of Lebanese prisoners raises hopes for hostages

By Lara Marlowe in Beirut

FIFTEEN western hostages in Lebanon may be closer to freedom following the announcement this week that 300 Shia Muslim prisoners held by pro-Israeli militiamen in southern Lebanon could be released soon.

The "Voice of the South" radio station, operated by the South Lebanon Army militia, said that Israeli Brigadier General Za'ev Zakharin was considering the release of 300 prisoners held at Khiam, southern Lebanon, by the SLA, which is trained and financed by Israel. Gen Zakharin, who is the commander of Israel's northern border area, was on a tour of Israeli and SLA installations in southern Lebanon during the Muslim feast of al-Adha, a time when it is Arab custom to release prisoners.

In the past, statements issued by militant Islamic fundamentalist groups, such as the Revolutionary Justice Organisation, the Islamic Jihad for the Liberation of Palestine and Islamic Jihad, have all demanded the release of Khiam prisoners as a condition for the freedom of American and British hostages.

The groups are believed to be different labels for the pro-Iranian Shia Moslems.

The release of two American hostages in April prompted speculation that Khiam prisoners would also be freed in the near future.

Although a few "routine" releases took place, both SLA and Israeli officials denied there had been a deal to exchange their Lebanese prisoners for westerners held in Lebanon.

The Israelis said that any agreement would have to include three Israeli servicemen captured by the Hizbollah in Lebanon.

At the same time, the Hizbollah yesterday renewed verbal attacks on the Saudi royal family, blaming King Fahd for the death of 1,426 pilgrims in the holy city of Mecca on Monday and calling for an end to Saudi Arabia's custodianship of Islam's holy cities of Mecca and Medina.

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## Doe urged to stand down as rebels advance on Monrovia

THE FATE of Liberian President Samuel Doe was unclear yesterday, a day after he was reported ready to quit as the capital Monrovia came under rebel siege, Reuters reports from Abidjan.

Monrovia is cut off from the world, "not without some justification," links down and no flights, scheduled or charter, to the city.

Rebels led by Charles Taylor, former associate of President Doe, have surrounded the capital, blocking all land routes in and out.

Diplomats contacted in

neighbouring Ivory Coast were either in the dark about latest events or remained tight-lipped.

"The situation in Monrovia is very confused. We can't say anything more," one said.

The last news report, sent jointly by foreign journalists via radio, was on Tuesday, quoted political sources as saying President Doe had agreed to resign on condition his safety and that of his minority Krahn tribe were assured.

The journalists said a delegation of close aides and politicians headed by Vice President

Harry Moniba had told President Doe to step down.

Heavy fighting continued some three kilometres north of Monrovia port on Tuesday, they added.

Rebel sources in Ivory Coast said yesterday that they had received no fresh news from Liberia.

The sources, in radio contact with the rebels, said on Tuesday the guerrillas were only 200 metres from President Doe's fortress-like mansion where he is believed to be barricaded with a crack battalion and Israeli-trained bodyguards.

## Angola attacks Savimbi plan for peace 'corridors'

THE Angolan Government yesterday denounced a proposal by rebel leader Mr Jonas Savimbi to set up "corridors of peace" for humanitarian aid to civilians in war zones, Reuters reports from Havana.

Mr Savimbi proposed the plan last week in letters sent to the presidents of the United States, the Soviet Union and Angola, saying his country faced mass starvation and urging joint Soviet-American efforts to bring in relief.

A statement distributed by the Angolan embassy in Zimbabwe said Mr Savimbi was making opportunistic use of a

real tragedy to gain freedom of movement and easier access to US war material coming into Angola from Zaire.

The United States is currently providing \$50m a year in military aid to Mr Savimbi's National Union for the Total Independence of Angola (UNITA).

The statement welcomed proposals for humanitarian aid to Angola by the US Congress but criticised the State Department in Washington for proposing to distribute the aid through Botswana without involving the Angolan Government.

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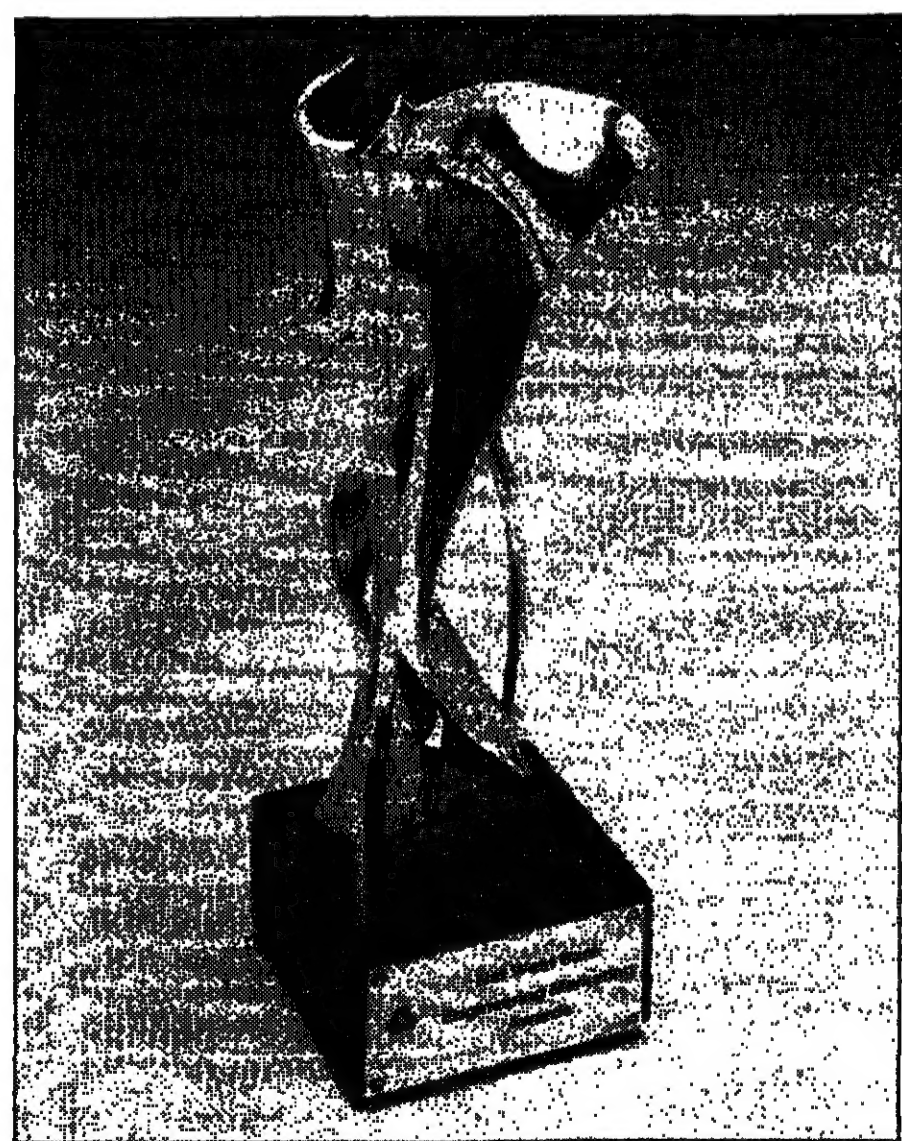
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## UK NEWS

## Walters set to rekindle the EMS affair

By Philip Stephens, Political Editor

SIR ALAN WALTERS, the US economist who acted as an adviser to Mrs Margaret Thatcher, appears set to rekindle the political controversy over the European Monetary System which led to Mr Nigel Lawson's resignation last year as Chancellor of the Exchequer.

Whitehall officials are voicing concern that Sir Alan's forthcoming book on his experiences in British policymaking could upset the delicate accord within the Government on full British membership of the EMS.

The advance publicity surrounding the book - due to be

published on July 26th - has argued that attempts by Governments to co-ordinate exchange rates inevitably resulted in higher inflation.

Mrs Thatcher has assured her colleagues that although Sir Alan is still a regular visitor to Downing Street, she will not allow him to persuade her to reinstate her veto on a decision to take the pound into the system.

Mr John Major, the Chancellor, has won her, albeit reluctantly, approval to join the ERM in the next few months and senior ministers believe that it is now almost certain that sterling will be locked in by September or October.

The Cabinet Office has also carefully vetted Sir Alan's book to ensure that it does not reveal any of the confidential discussions which took place during his time in Downing Street.

The book's co-sponsors - the Institute of Economic Affairs - insist that it is a serious work of economics designed to focus on the intellectual arguments surrounding exchange rate management.

Sir Alan is nonetheless being criticised at Westminster for what one minister termed deliberate political mischief-making.

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Sir Alan is nonetheless being criticised at Westminster for what one minister termed deliberate political mischief-making.

## Business still cautious of Labour

By Charles Leadbeater, Industrial Editor

THE opposition Labour Party's campaign to present a more responsible image to business has been partially successful, according to a survey of executives which found that most thought Labour had left behind many of the policies of the 1970s.

However the survey of more than a hundred executives found that about 60 per cent expected the business environment would worsen under a Labour government, with 80 per cent expecting the effects to be neutral and 10 per cent expecting the climate to improve.

The report, based on interviews with managers in manufacturing, financial services, construction, retailing and business services companies, says that as a result of the Labour campaign the Conservatives can no longer rely on fear of a Labour government to rally business support.

Yet most executives criticised Labour policies for being too vague, warning that increased uncertainty would be the main drawback of a Labour administration.

Most admitted that they based their assessment of Labour on their experience of the 1970s.

The survey, by the Coles consultancy group, is one of the first to explore in detail business views of a future Labour government.

Some of industry's traditional concerns about the impact of a Labour government have been allayed. Only a minority of industrialists thought Labour would strengthen the trade unions and lead to increased conflict in industrial relations.

Most expected wage inflation to be higher and all companies rejected the European Social Charter, which Labour supports.

However, the end of the era of enterprise culture would have a considerable impact on management motivation. Higher taxes and a perceived restriction on entrepreneurial opportunities could make it more difficult to keep talented managers in the UK, senior executives said.

Executives at manufacturing companies fear that middle managers would be less prepared to implement difficult decisions.

Business would largely ignore the micro-economic measures Labour has proposed to improve industrial competitiveness such as incentives to promote training, research and development and capital investment.

Companies said they would largely ignore regional investment incentives, while Labour's proposal to strengthen the role of the Department of Trade and

Industry was dismissed as just another layer of bureaucracy. Industrial companies were impressed by Labour's commitment to the European Community and to increasing investment in education, training and the transport infrastructure.

Small companies were particularly concerned about the costs of more regulatory controls under Labour, although lawyers and accountants expected their services would be more in demand to help companies cope.

Executives in the financial services sector believed they would benefit from increased volatility in financial markets, although their income would be hit by the end of the privatisation and fewer large mergers and acquisitions.

Companies in the construction and retail sectors thought the effects on their businesses would be minimal.

## Warning over power prices after privatisation

By David Thomas, Resources Editor

NATIONAL POWER and PowerGen, the two generating companies heading for privatisation in England and Wales, will force up electricity prices by manipulating the new electricity market, a leading independent generator forecast yesterday.

This prediction was made by Mr Michael Cornish, chief executive of Thames Power, in a gloomy review of the prospects

for independent generators at a conference in London on the industry's privatisation.

Mr John Wakeham, Energy Secretary, told the conference on Tuesday that he was considering applications for 25 new power generating projects.

However, independent generators told the conference yesterday that most of the projects so far mooted would collapse. "So many of them

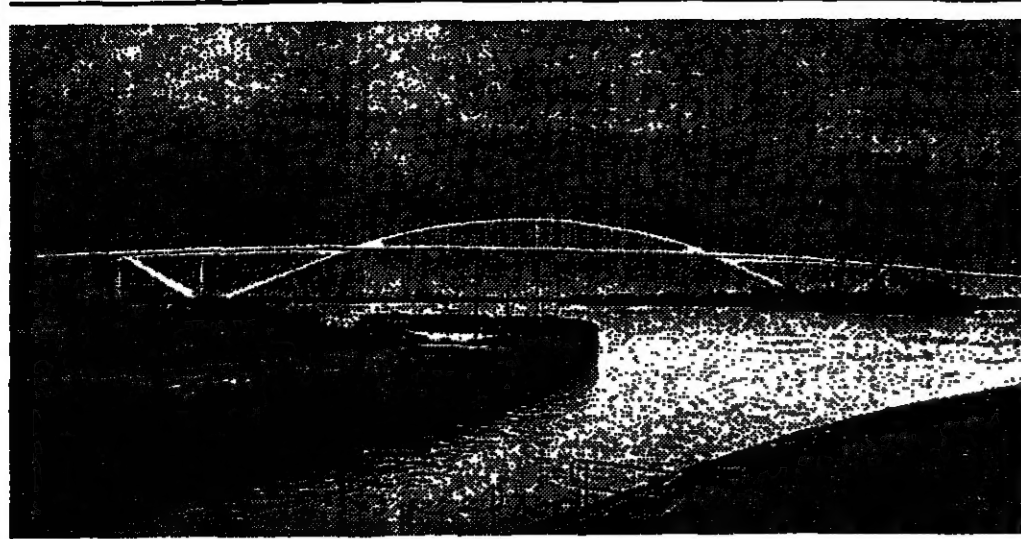
seem to disappear like the morning mist," said Mr Cornish of Thames Power.

Thames Power is a consortium consisting of BICC, Schroder, CU Power of Canada and Hydro Electric of Scotland, which is planning to build a 2,600m, 1,000 megawatt gas-fired station at Barking Reach on the Thames in London.

Mr Cornish argued that National Power and PowerGen

were creating a situation which would make it difficult for independent generators to compete. "We should have no illusions about their power and their ability to manipulate the market," he said.

Mr Cornish forecast that the generators would scrap 6,000-6,500 MW of old power stations after privatisation, which would force up the price of electricity.



STANHOPE properties, the developer, has announced an alternative design for the proposed east London river crossing, to coincide with the opening of the public inquiry into the crossing and the planned extension of London City Airport.

Its bridge, commissioned from Mr Santiago Calatrava, the Spanish architect, would be an arch form across the Thames as opposed to the box girder design favoured by the Department of Transport.

The inquiry will examine the design criteria of the new crossing in the light of the proposed development of the airport. The bridge, from Thamesmead on the south of the river to Newham and the Docklands on the north bank, will be the first crossing over the Thames on the approach from the sea.

## BRITAIN IN BRIEF



## Overseas visitors up by 11%

The latest statistics show that the number of overseas visitors to the UK in April 1990 rose to 1.4m, 11 per cent up on the same month last year. They spent £500m, an increase of 15 per cent.

The April figure took the number of overseas visitors to the UK for the first four months of 1990 to 4.8m, 4 per cent above the same period in 1989. Spending for the period was up 11 per cent to £1.5m.

The Department of Employment figures also showed that the number of UK residents going abroad in April 1990 was 2.8m, a 21% rise on April 1989. Their spending rose 20% to £715m.

The British Tourist Authority's chairman, Mr William Davis, said: "These figures confirm the increasing value of tourism to Britain."

## Criticism for British Telecom

Some aspects of British Telecom's service have improved in the past three years but its customers are still not getting the service they deserve, according to a survey published by the Consumers' Association yesterday.

The survey, based on 15,000 calls made by nearly 600 customers in February, shows that BT's performance has improved on some fronts but much remains to be achieved in other areas.

Two fifths of the association's panel said their phone had been out of order in the previous year and a half. And the survey claimed that BT was not significantly quicker in repairing faults than it had been three years ago when the association conducted its previous survey.

On the other hand, call quality has improved considerably with only 4 per cent affected by poor lines, crossed lines or disconnections, compared with 10 per cent in 1987.

## New Bristol development

A £500m scheme to develop the centre of Bristol has been announced by the city's council yesterday.

Work on the first phase of the scheme, which should begin by the end of the year, will create up to 8,000 jobs during the construction phase, Mr Christopher Thomas, chairman of Bristol Development Corporation, said.

The corporation, a government-appointed quango, said it would not hesitate to use its compulsory purchase powers to hurry along the scheme, which will take up to 10 years to complete. The private sector will be expected to play a leading role in the provision of capital towards the project.

## Loss for tour operators

A THIRD of the UK's leading tour operators made a loss last year, according to figures released yesterday by the Civil Aviation Authority. The CAA said 11 of the 30 largest tour

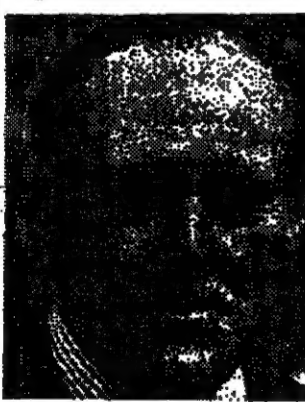
companies made losses totalling about £34.1m while the other 19 made profits of £24.1m. Altogether, the 30 made a £76,000 loss last year on turnover of £2,050m (£2bn) compared with a profit of £15.5m in 1988.

## MPs to hear of plans for Ulster

Mr Peter Brooke, Northern Ireland Secretary, will today tell MPs about his plans for starting round-table talks on the province's political future - but without having won final approval from the Irish Government.

Mr Brooke spent yesterday in last-minute discussions with Northern Ireland's political leaders about the form of his Commons' statement which follows six months of "talks about talks."

However, it has become clear that hopes of Mr Brooke being in a position to outline concrete proposals for formal negotiations in the autumn



Peter Brooke: to reveal plans have been raised too high.

## N Ireland power profit

Northern Ireland Electricity, the state-owned utility, yesterday announced a record profit of £64.1m, slightly higher than last year's level, in spite of a sharp increase in the price of heavy fuel oil and a weaker pound. NIE has moved over the past decade from being heavily dependent on Government subsidy to being self-sufficient.

## Pop degree

A college in northern England is launching the world's first degree in pop music but warned students the course would be as hard as any.

"This will be a demanding academic course of great rigour," said Mr Keith Wilson, head of performing arts at Salford College of Technology.



The SeaCat, winner of the Rine Riband for her record Atlantic run last month is due to make her maiden Channel crossing on July 12.

The catamaran which made the fastest crossing of the Atlantic will start a cross-Channel service next week even though it still has no safety certificate, its owners said today.

However, the cross Channel company which operates the world's largest commercial hovercraft, has been discussing the SeaCat with the Department of Transport and a company spokesman said: "Whatever we have to do to the craft to achieve all their necessary requirements we shall do."

The SeaCat, capable of carrying 450 passengers and 90 cars, will run between Portsmouth and Cherbourg, France, drastically cutting travelling times.

The Hovercraft spokesman said: "We fully expect to have the certificate to operate on July 12."

"This is a new craft for us and a new one for the Department of Transport and we are holding discussions about the granting of a passenger certificate."

## British Rail in the red

British Rail announced its results for the year to March 1990 showing that its ordinary operations had plunged into the red for the first time in five years.

The previous year's operating surplus of £107m turned into an operating loss of £26.4m with BR laying the blame for the downturn squarely on last summer's industrial action by the rail unions.

Property profits - particularly from the Broadgate and Legent Circus developments in London - enabled it to show an overall surplus for the year of £269.8m, but this figure represented an 11 per cent decline from the previous year's £304.3m.

The last time BR made an operating loss was in the 15 months to March 1985 when the effects of the coal strike left its ordinary operations £281.6m in the red.

BR said in the year just ended, the net cost of the eight rail strikes had been £73m.

## Reform call in education

Britain must overhaul its post-16 education system, abandoning the segregation of pupils at 16 into vocational and academic streams, a left-of-centre think tank urges in a report published today.

The Institute for Public Policy Research also calls for post-16 employment to be made less attractive, with employers encouraged to recruit at 18 rather than 16, and required to release all 16-to-18-year-old employees for part-time training.

It further calls for the Departments of Employment and of Education and Science to merge into a Department of Education and Training to help close the gap between academic and vocational study.

## Merger activity remains cool

Merger activity in the UK has cooled in 1989 and 1990, but a higher proportion of proposed mergers have been referred to the Monopolies and Mergers Commission, according to the annual report of the Office of Fair Trading, published yesterday.

In 1989, 281 proposed mergers fell within the scope of the Fair Trading Act covering assets with a value of £26.1m. This is down from 306 and £36.3m in 1988 and from 313 and £123.3m in 1986, the peak year in terms of assets.

FINANCIAL TIMES  
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## Export Credits Guarantee Department

## UK industry alarmed at changes in export support

By Peter Montagnon, World Trade Editor

BRITISH COMPANIES will suffer a serious loss of business to their overseas competitors if the Export Credits Guarantee Department (ECGD) is forced to introduce sharply increased premiums and tighter cover limits for insuring exports of capital goods, a group of leading exporters warned yesterday.

The Treasury was seeking to impose over-restrictive trading conditions on ECGD in an effort to prevent a recurrence of the losses it sustained as a result of the debt crisis, the group, known as Major British Exporters (MBE), told the Commons Trade and Industry Committee.

But the effect would be to undermine its ability to support exports. The more attractive terms offered by foreign export credit agencies would mean that business would drift offshore, and even British companies would channel orders through their foreign subsidiaries.

"If you start to charge premium rates which ensure that you never have a loss, we could be utterly and completely out of business," said MBE chairman, Mr Alan Gormley, who is also Managing Director of John Brown.

Already the premiums charged by ECGD were higher than those of continental export credit agencies by a factor of two or more. Its risk exposure had improved over the past couple of years and premium increases were only needed to keep pace with inflation, he said.

ECGD has been planning to introduce a new system for calculating premiums which is designed to match them more closely to the risk being covered.

It has also alarmed exporters by warning that the availability of cover could be restricted in markets where it is heavily exposed. These include South Africa, the Soviet Union and China, where premium rates were increased by 25 per cent last month.

However, despite being repeatedly urged to do so by the Committee, the exporters failed to identify any particular Treasury Minister or official as being behind a move to undermine the ECGD.

Asked to comment yesterday a Treasury spokesman recalled earlier government statements to the effect that ECGD support for exports would continue but that attempts would

be made to reduce the cost of this to the taxpayer.

According to Mr John Lippitt, Exports Director of GEC which insures £1bn worth of exports with ECGD each year, the Treasury was "totally wrong" to argue that the ECGD premium constitutes only a small part of the cost of projects undertaken by British companies abroad and could easily be absorbed.

"Very often the premium will be greater than the profit margin. Any increase will render us uncompetitive," he said. Sir Gordon Borrie, Director General of the Office of Fair Trading, has claimed that increased competition between traders promotes consumers' interests. At the same time, protecting consumer interests leads to greater competition.

His remarks were published in the OFT's annual report, out yesterday. "The basic aim of any competition work is to ensure that consumers are provided with choices," he said. "That of my consumer work is to ensure that consumers are able to make such choices to their own best advantage." The two functions supported each other, he continued.

## Christiania denies prompting receivers at Brown Group

THE COLLAPSE of Brown Group International, the privately owned construction machinery manufacturer which went into receivership last week, provoked renewed controversy yesterday when the group's main banker denied it had prompted the appointment of receivers, writes Charles Leadbetter.

Christiania Bank, the Norwegian Bank, which is the

group's main creditor said it had not requested the receiver to be called in and it had not brought to an end discussions over a possible refinancing of the group.

The Brown Group employs about 1,600 people mainly in four construction machinery businesses in the UK and Norway, as well as a Capital Airlines, a regional airline based at Leeds-Bradford airport.

Potential purchasers have made several inquiries about buying the airline, while it is understood that Komatsu, the Japanese construction machinery maker is considering buying the group's Moxy dumper truck plant in Norway.

Moxy already makes Komatsu dumpertrucks under license.

It had been suggested that Christiania Bank had triggered

the Brown Group's collapse because it had not been prepared to extend loan facilities to the Yorkshire based group, even though the institutional shareholders had been prepared to put in more equity.

In a statement Christiania Bank said the Brown Group had first defaulted on loan agreements early this year after running into financial difficulties last autumn.

It said the latest attempt to put together a rescue package founded last week because the group's directors, advisers and potential equity investors refused to make a financial commitment pending the raising of new equity.

Christiania Bank said the package was also supported by Standard Chartered, the Brown Group's other main banker.

## Canadian developers lift veil on Canary Wharf

By David Lascelles

OLYMPIA & York, the exclusive Canadian developers of Canary Wharf in London's docklands, lifted the veil slightly on their most sensitive secrets yesterday: the terms on which they are signing up tenants for Europe's largest commercial office project.

In a rare meeting with the Press, Mr Paul Reichmann, president of the property company O&Y, said that about 2.4m square feet of the development now had committed tenants, though only 2.1m had so far been officially announced. This is just under a quarter of the project's total proposed 10.5m square feet, but more than half its first phase of 4.3m square feet.

This meant the project was sufficiently advanced for O&Y to begin to seek institutional

funding, and talks had begun with potential lenders, Mr Reichmann said. Until now, work has been financed out of O&Y's own resources and Canadian bank credit lines.

Poor transport links remain one of the biggest obstacles for Canary Wharf. Mr Reichmann confirmed that O&Y will be making a phased contribution towards the cost of extending the Jubilee underground line to Docklands. This is believed to be about £400m of the proposed £1bn cost.

Generally, he said "very dramatic changes are about to happen" on the transport front which would make Docklands much more attractive. These included improvements to road and rail links.

He claimed not to be disappointed by the fact that no major UK institution has so

far signed up - the majority are existing American clients of O&Y - but he predicted: "The British are on the way". In later phases of the project, the majority of tenants would be British, he believed, and Canary Wharf would be not just a commercial office project but the core of a new business community.

Mr Reichmann said that tenancy contracts were being done on the following terms:

- The majority were for rents of £30 a square foot, with some tenants being offered £27.
- Lease terms are for 25-30 years, and tenants are required to occupy their space for the whole period.
- Tenants must commit themselves to putting their "front office" operations in Canary Wharf along with their top executives. "Back office"

operations only are not allowed.

- All the announced tenants have binding agreements which commit them to taking up their space. The exception was Merrill Lynch which only signed a letter of intent, and pulled out last week.
- Although O&Y is offering "special incentives" depending on needs, Mr Reichmann said no tenants had been offered "meaningful rent-free periods".
- O&Y was not taking on tenants' existing space in exchange, though it was working with them to dispose of leases.
- Mr Reichmann declined to discuss tenancy terms in detail because he said these were confidential between the company and its clients. But he seemed keen to dispel some of

the wilder rumours which have filled the vacuum left by the absence of hard facts. These suggested that O&Y was charging as little as £15 a square foot, with rent-free periods lasting several years, and sweeteners thrown in.

Analysts were sceptical about the figures yesterday, saying that they seemed rather high. One commented that the "special incentives" could include upfront payments by O&Y to future tenants which would substantially reduce their effective rents.

If tenants are paying around £30 a square foot, that is about two thirds of the going rate for quality office space in the heart of the City of London. Canary Wharf, in London's derelict docklands, is about two and a half miles from the centre of the City.

## UK 'lagging' behind France and Germany in living standards

By Rachel Johnson

PRODUCTIVITY in the economy has risen since 1979 but "very large gains" need to be made if the UK is to achieve higher growth rates in the 1990s than in the previous decade, the National Economic Development Council agreed yesterday.

The UK was now in an economic "pause", according to the council, which was chaired by Mr John Major, the Chancellor.

The council adopted a report on investment, capacity and growth, written by the Mr Walter Ertis, chairman of the National Economic Development Office, which said the UK was lagging a decade behind France and Germany in terms of living standards and output per employee.

The manufacturing sector was an exception to the general picture. Despite only slight investment in manufacturing, the rate of growth had been a "considerable success" and productivity had risen by 50 per cent since 1979. This had enabled real wages to rise by 30 per cent during the 1980s - the fastest wage growth in any post war decade.

Although output in the whole economy had grown continuously since 1981, there was likely to be a pause this year, during which wages would grow faster than company revenues. This would squeeze profits and disrupt investment plans. The pause was "absolutely necessary" while excessive inflation was squeezed from the economy to converge more to the European average of around 3 per cent.

"It is unfortunate that there should be a pause when the task of raising British productivity and output per worker to European standards is only half completed," says the report.

Indicators of real living standards, such as car ownership, consumption of steel, meat and electricity, and the availability of telephones and televisions in the home were all significantly higher elsewhere in Europe, he said.

Mr Ertis was optimistic that the pause would be brief and allow the UK to achieve above-average growth in the 1990s as a whole.

It noted that a growing portion of UK investment was financed from overseas. The current low personal savings ratio would result in foreign portfolio holders and foreign-owned companies eventually controlling larger amounts of UK capital stock.

The UK's holdings of net overseas assets peaked in 1988 and had since declined by one quarter.

In 1989, acquisitions of UK companies from Europe exceeded acquisition of European companies.

Furthermore, what saving there was tended to be concentrated not in productive industrial and commercial assets, but "concrete gold" - housing.

## City urged to make equity market more accessible

By Rachel Johnson and Richard Waters

THE TREASURY yesterday challenged City stockbrokers to lower costs and make the equity market more accessible to small investors.

Mr John Major, the UK Chancellor of the Exchequer, presented a detailed paper on "broadening share ownership to the National Economic Development Council's meeting yesterday, which he chaired.

The Treasury called on the private sector to sharpen its marketing skills as the "key to enhancing the shareholding habit." This would require extending public awareness from the primary market's privatisation issues to the secondary market's trading and dealing of listed shares.

"It is a policy objective to help reduce dealing costs in the secondary market," the Treasury said. It then detailed the measures the Government has already taken to this end, such as abolishing stamp duty by 1992.

Brokers had carved themselves a niche out of the public interest in privatisations, but had failed to achieve a mass market, the Treasury said. The Government had made efforts to create a "level playing field." Now stockbrokers should build on its achievements to create a mass retail business in the secondary market. Recent surveys have revealed a widespread ignorance about how to buy and sell shares, including among shareholders. Many have bought in privatisations and have no idea how the stock market works.

The latest study, undertaken by the International Stock Exchange and the Association of Investment Trust Companies, also found that most people distrust stockbrokers, thinking of them either as "arrogant, upper-crust, old-fashioned types" or "youthful wheeler dealers in the model of an estate agent."

The Exchange has done little to create a better market for individuals. A review of the procedure for issuing shares earlier this year concluded that there was little that could be done to get more shares into the hands of private investors.

Another discouraging step was the Exchange's abandonment this week of a proposed second-tier stock market, which could have provided better buying and selling prices for small investors.

The Government's challenge to the private sector was supported from both the Confederation of British Industry and the more unlikely quarter of the Trades Union Congress. Mr Norman Willis, the TUC's general secretary, declared himself a convert - but a "not unexceptional one" - to wider share ownership.

The TUC said that most ownership of recent years was accounted for by privatisation share issues.

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# Green issue poses a new hazard to banks

By Derek Wheatley QC

The protection of the environment is vitally important. But we must ensure that enthusiastic new moves with this aim are well thought out. The EC draft Waste Damage Directive in one important respect is not.

It provides for the protection of people affected by pollution of water, soil or air and for compensation in the event of damage to health or to property. It creates civil liability when in most cases none exists under our law at present. This is strict liability, created irrespective of fault on the part of the "producer" of the waste, which according to the draft directive means virtually anything foreign to the land, air or water in question which has a harmful effect on property or on health, provided only that it has been generated in the course of an occupational activity.

The "producer of waste" is any natural or legal person whose activities cause it or whose operations mix other products which then damage the environment. So it is not only chemical manufacturers who are likely to be liable, but also any individual who causes significant and/or persistent interference with the environment.

What will be considered to be significant and persistent

remains to be seen, but it is clear that actual damage to property is not an essential ingredient to the establishment of civil liability.

In respect of this a plaintiff may take legal action to obtain a court order, prohibiting the action in question, reimbursement for action taken to prevent the damage, indemnification for damage suffered and for "the restoration of the environment... or the reimbursement of expenditure incurred... to this end."

Companies which actually cause the damage may evoke little sympathy, although liability without fault is rarely justifiable.

The real concern is the definition of the "producer of waste" which extends far beyond the actual miscreant in question, since it includes the person "who had control of the waste when damage occurred" unless he is able to identify the real producer, which will often be impossible.

A bank taking security over land and then enforcing its security by going into possession could easily find itself a "deemed producer" of waste already on the land and of which the bank had no knowledge at all.

A serious case of contamination caused by toxic waste, particularly if a river or stream

ran through the land, might require large expenditure to put right. The value of the bank's security could be much diminished or exceeded by the cost of rectification so that the draft directive, once it becomes part of Community law, would represent a new and dangerous hazard to lenders.

Banks will need to make new and, perhaps far-reaching enquiries before lending money secured by a charge over land. In the end it is likely that the customer will pay for it all.

Lenders in this country are subject to no system of liability for environmental waste at present, and justice does not require that they should be unless there is a real connection with causing or continuing the waste. They should be excluded in a similar way to banks in the US.

During the past 20 years environmental concern has been the cause of several federal and state legislative moves, in particular the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA). This provides for cleaning up areas of existing contamination and requiring payment from those responsible. These may include lenders. There has been a lasting effect on lending practices as well as

financial liability as a result. CERCLA fixes liability on "owners or operators of a hazardous waste facility". There is an exclusion clause for a person who "without participating in the management of a... facility, holds indicia of ownership primarily to protect his security interest in the facility".

At first sight this seems to exonerate the bank taking a charge over land. American case law shows, however, that a bank which enters into possession of land even if only for the purposes of a sale may be held to be an "owner". In addition any exercise of control over the land carries the hazard that the bank may become an "operator" and so liable for cleaning up the waste on it. If the bank fails to clean within a reasonable time of being required so to do, the state may do the cleansing and charge the bank for the cost.

If the EC draft directive is implemented without amendment the danger to lenders within the Community is that they will need to assure themselves that land offered as security has no waste on it. If it has, the value of the land will be less and the dangers, if the lender wishes to enforce his security, will be considerable.

If, for instance, money is lent

for a property development which gets into difficulties, the lender might wish to take possession and complete the development as the best, perhaps only, way of selling advantageously and recouping his money. There is little doubt that he would be exercising actual control over the land and so become liable for any waste on it as a deemed producer.

Under article 5 of the directive if there are two or more producers of waste, as defined, each is liable jointly and severally. So if it could be said that a lender has been responsible for only a small amount, his liability could be for the whole.

Take the case of the mortgagee of an oil tanker which has, unknown to him, just leaked a substantial amount of oil. Perhaps a very slight leak persisted when the mortgagee, exercising his rights, directed the Captain to make for port. This could saddle him with full liability when he could have known nothing about it at all.

There seems no reason why the draft directive should not be amended so as to include the exemption clause in favour of holders of security, similar to that in CERCLA but drafted so as to exclude the ambiguities which have been the source of much expensive litigation in the US.

The draft directive is near finality. Member states must implement it by January 1 1991. If anything is to be done it must be soon and so far it appears that no alarm bells have been ringing in the head offices of those most concerned. Urgent lobbying of our own Department of the Environment and the Department of Trade and Industry providing details of the litigation and experience in the US would be a start.

Similar approaches to the officials of the European Commission should be made. It is basically unfair. But of course those who will suffer most obviously are the banks and a common thought is that "the banks can afford it".

To be realistic one needs to go on and consider that if nothing is done the strong likelihood is that the real sufferers will be the public. Those who wish to borrow offering land as security, would find that it is harder and more expensive to do so since the banks would, of course, pass on the extra expense to their customers. If this is to be avoided something must be done very soon to give warning of the US experience in Brussels.

The author was Chief Legal Adviser to Lloyds Bank until this year when he returned to practice at the Bar.

## APPOINTMENTS

### Changes at BZW

Mr Oliver Stocken has been appointed chief operations officer of BARCLAYS DE ZOEETE WEDD in succession to Mr Gerald Dennis who is retiring. A subsidiary, Barclays de Zoete Wedd Ltd, has promoted the following directors to managing directors in the corporate finance division: Mr Richard Crick, Mr Richard Ramsay, Mr Jeremy Seddon and Mr John Standen. Mr John Hunt has joined the division as a managing director. He was a managing director of Merrill Lynch capital markets. Mr Martin Weyer becomes chief operations officer in the division, and Mr David Shapson, Mr Ishbel Macpherson, Mr Christopher Elliott and Mr Michael McGhee have been appointed directors. Mr Michael Peterson has been made a managing director, banking division, and Ms Linda King becomes a director.

Mr Tony Nunn has been elected chairman of THE SALVAGE ASSOCIATION. He is chairman of the ocean hull committee of the International Union of Marine Insurance.

R. WATSON & SONS, Reigate, consulting actuaries, has appointed as partners Mr Richard Bulmer, Mr John Burns, Mr Shalish Choudhury, Mr Colin Crouch, Ms Judith Dingle, Ms Joanne Goulding, Mr Graham Mitchell, Mr David Norris and Mr Stephen Rees.

TAKARE has appointed Mr Hamilton D. Anstead as finance director. He was with Price Waterhouse.

OPTICAL AND MEDICAL INTERNATIONAL has appointed Mr Richard Fletcher as managing director, design technology division. He joins from British Aerospace.

Mr Michael Denny, executive chairman of Northern Venture Managers, has been elected chairman of the BRITISH VENTURE CAPITAL ASSOCIATION.

Mr Jim Merriman has been appointed managing director of ACTIVE BOOK CO, Cambridge. He was chief operating officer and deputy managing director, Acorn Computers, working with Olivetti's systems and networks division.

INTERCONNECTION SYSTEMS, Newcastle, has appointed Mr John Benjamin as deputy managing director. He was with Amstrad.

CARE KITCAT & AITKEN, (formed following the purchase of the name Kitcat & Aitken from Royal Bank of Canada by W.I. Carr Group, part of Banque Indosuez), has appointed as co-chairmen Mr David Stirling, executive director of W.I. Carr (UK), and

Mr Peter Nuttall, former senior partner and managing director of Kitcat & Aitken. The new company has also been joined by 24 senior salesmen, analysts and dealers from Kitcat & Aitken. Mr Alan Andrews has been appointed managing director of LA Masurier, James & Chinn, stockbrokers, Jersey, a subsidiary of W.I. Carr (UK); Mr Anthony Hilton becomes executive director responsible for servicing private and institutional clients.

Mr Stanislas Yassukovich, chairman of The Securities Association, and of Flextech, has been appointed a non-executive director of HENDERSON ADMINISTRATION. He also becomes adviser to the International Pension Fund Management has appointed as directors Mr James Robinson, head, Far East investment team, and Mr Guy Hayes, a UK pension fund manager.

Mr Denis Robson has been appointed executive sales director at UCB GROUP. He was regional sales director in France.

Mr John Robinson has joined the board of CANDOVER INVESTMENTS as a non-executive director. He is deputy chairman of British Telecom.



Mr François de Rancourt (pictured) has been appointed senior managing director of BANQUE PARIBAS in London, succeeding Mr Pierre de Longueville. Mr Dominique Bazin becomes managing director. Mr de Rancourt, an executive vice president of the bank, was general manager of the Ottoman Bank in Istanbul, an affiliate of the Paribas Group.

Mr John Tiley has joined the board of THE BROCK METAL CO, Cammock, a division of Benjamin Priest (Mfg.). He runs the foundry support service.

Mr Paul Baxter, formerly group brand manager of BRITISH AIRWAYS, has been appointed managing director of a new BA subsidiary, Speeding Training, formed to market expertise in management and customer service. He was responsible for developing BA's Club World. More appointments page 48

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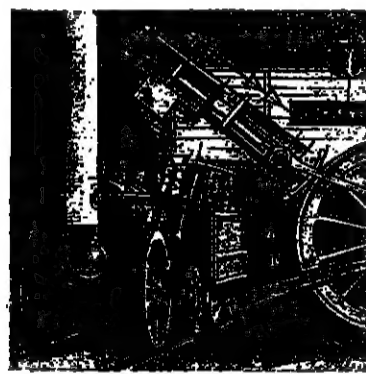
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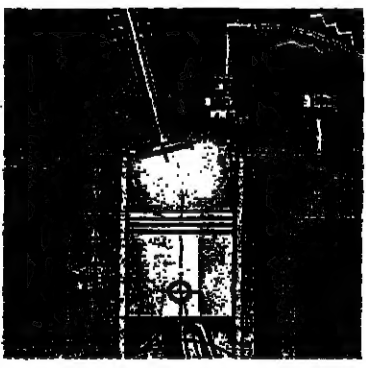
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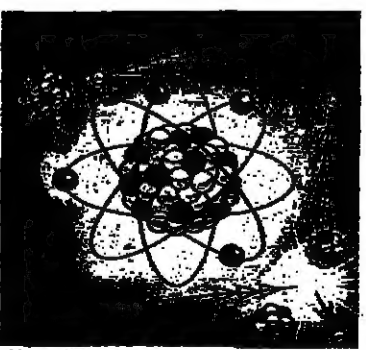
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## ARTS

## CINEMA

## A dig at feminist dogmas

Film critics, being only human, have days when they stare at a blank piece of paper or empty computer screen, hoping it will speak to them. Take today. Should we begin with *Joe Versus The Volcano*, a movie all style and no content? Or with *Reason*, all content and no style? Or with *The Me Up! The Me Down!*, in which bits of content and bits of style fly around in mid-air, gibbering, like birds in a grouse shoot?

Let us start with style. It is summer, Wimbledon is banging away and birdsong, of the non-grouse variety, is all about us. In the Spielberg-produced comic fantasy *Joe Versus The Volcano*, Tom Hanks is a New York factory worker given six months to live. "Terminal brain cloud" diagnoses dugeon-voiced Dr Robert Stack. So off goes Hanks to a South Sea island, via Los Angeles, with the aim of throwing himself into a volcano.

"Why?" you ask, pertinently. The reason for the proposed self-sacrifice is that it will appease the local lava gods and prevent the mountain from blowing its top. Hanks has been asked to volunteer by millionaire Lloyd Bridges, who has a mineral interest in the island and who writes Hanks a blank cheque for expenses and enjoyments en route. The expenses include champagne and travelling trunks. The enjoyments include Meg Ryan of *When Harry Met Sally*.

Playing three different roles, Miss Ryan is a some-thing joy in each. Her L.A. redhead, especially, sounding like Katharine Hepburn on stimulants, lifts this shaggy-dog film by the scruff of the neck and shakes it until its eyes pop. Something certainly needed. Writer-director Joe Patric (Shanley) (*Moonswept*) has composed a rambling, picaresque movie with a single, back-of-the-envelope unifying idea: "Innocent hero is assailed by extraordinary events and gorges on gorges accordingly." In short: smile, you're on Candide

**JOE VERSUS THE VOLCANO**  
Patrick Shanley

**REUNION**  
Jerry Schatzberg

**TIE ME UP! TIE ME DOWN!**  
Pedro Almodovar

**MOON 44**  
Roland Emmerich

**LISTEN TO ME**  
Douglas Day Stewart

camera. Unfortunately, Mr Shanley is no Voltaire. Nor, though he tries to be in the space of a 100-minute film, is he Fritz Lang (*Metropolis*-style factory), Georges Méliès (smiling moons and fantasy islands) or Federico Fellini (polythene river and glittering New York backdrops). The movie staggers from one eye-catching, inconsequential vignette to the next, like a opium addict on a den crawl. By the time our hero reaches immolation island, we are thinking "Oh do throw yourself in, Mr Hanks, and let us have no more ado."

What the film is about remains elusive. Is it an allegory of self-fulfilment? A fable of human guilt? We are never sure. Nor, we darkly suspect, is Mr Shanley. One still wants to see this film more than to *Reason*, a sober period piece on the rise of Nazism. Why? Because it takes a brave director to paint the inside of his mind and put it up on screen in all its (possibly incoherent) poetry. Someone in a transport of phrasemaking once called cinema a window on the world. But windows look inward as well as outward. And there is often less excitement in a view of the street, where humdrum life dictates the picture, than in a view into a shop window or someone's home. In these

places personal artifice sits, bizarre, colourful, Sphinx-like, daring us to judgment.

*Reason*, directed by Jerry Schatzberg (*Scored*) and scripted by Harold Pinter from a novel by Fred Uhlman, is filmed in a demure monochrome that matches its street-watching soul. This is not-curtain movie-making. Framed by present-tense scenes in which German-American lawyer Jason Roberts travels to Stuttgart on some ominous, unnamed mission ("I have to take care of this thing"), the movie peers out into the past in an extended, explanatory flashback to Roberts's boyhood.

Time: 1930s. Place: Germany. The young JR (Christian Anholi) befriends a Jewish schoolmate (Samuel West). He comes to realise that the warm-hearted, intellectually gifted boy, who reads Freud and talks philosophy, is a target for anti-semitic mistreatment. He sees these prejudices growing and thriving among his equals and elders: "Can't you feel the new spirit in Germany?" in the lectures of a Jew-hating history professor. In the Jewish boy's own socialist, anti-Zionist father. And he realises, though he cannot fight it, that it is all wrong.

Oh dear. This is an earnest, conscientious film and in a wicked world how can we complain about it? The audience feels as if it is queuing up in a health-farm queue, waiting to have its place filled with spiritual nutrition. It may not be fun, but we know it is good for us.

But then is it? Judged as a movie rather than an intention, *Reason* is not only dull, it is oddly cowardly. Its dispirited little tale never deviates into surprise. Its sepia-toned visuals plink out pre-terminated period asperses, like notes on a parlour piano. And thanks to its flashback structure, it is filled with that wispy, beyond-contradiction historical hindsight that leaves the anti-



Ideological impertinence: Victoria Abril in 'Tie Me Up! Tie Me Down!'

ence nothing to do but to nod in stultified consent. Is anyone going to say, "The Nazi times weren't so bad after all?"

We much prefer the sly farce and ideological impertinence of Pedro Almodovar's comedy *Tie Me Up! Tie Me Down!* After male bonding in Nazi Germany, here is female bonding in post-Franco Spain. A beautiful porno movie-star (Victoria Abril) is kidnapped by a gentle maniac just released from a mental home (Antonio Banderas). She is held hostage by him in her apartment until she should fall in love with him. Can she so fall? Will she? But of course.

From the director of *Women On The Verge Of A Nervous Breakdown*, here is a film that has had feminists on the verge of a nervous breakdown. A tale of male aggression being rewarded with love seems a kamikaze notion in today's sexual-political climate. But the film saves itself by its polemic, unorthodox, far from being discredited, as so strong they virtually gag dissent. Feminism may be 99 per cent right, one per cent wrong in its aims and beliefs. But until it is proved 100 per cent right, every artist has the right to poke at its dogmas with a sharp, red-hot

chain-bound film-maker (played by himself) and a Jewish schoolmate (Samuel West). He comes to realise that the warm-hearted, intellectually gifted boy, who reads Freud and talks philosophy, is a target for anti-semitic mistreatment. He sees these prejudices growing and thriving among his equals and elders: "Can't you feel the new spirit in Germany?" in the lectures of a Jew-hating history professor. In the Jewish boy's own socialist, anti-Zionist father. And he realises, though he cannot fight it, that it is all wrong.

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stick: even if cries of pain or outrage - or laughter - result.

Cries of pain and laughter may accompany, for different reasons, screenings of *Moon 44* and *Listen To Me*. The first, directed by Roland Emmerich, is a credible sci-fi romp concerning dirty deeds on mining planet. Troubleshot Michael Pare goes to sort out some intergalactic hi-jackers and gets bogged down in B-movie dialogue, dotty co-stars (Malcolm McDowell, a robot) and Special FX from an Alien clearance sale. I most keenly identified with the young navigator who, impaled by falling debris in the grand action finale, mutters "Oh God, who needs this shit."

*Listen To Me* is little better. Can love flower in an American college debating team? Yes indeed. And jealousy, envy and other heartwarming things. Writer-director Douglas Day Stewart (*An Officer And A Gentleman*) hews a gently deranged tear-jerker somewhere between *Dead Poets Society* and *Honey, I Shrunk The Audience*.

Nigel Andrews

Glenda Jackson in Philip Prowse's production of Brecht's *Mother Courage*. Warmly reviewed on this page after its first performance at the Glasgow Citizens as part of Glasgow's Mayfest, it opened last night at the Mermaid Theatre

## 70, Girls, 70

MINERVA STUDIO, CHICHESTER

The words and music team of Fred Ebb and John Kander, at its freshest expressing the shuffling resilience of little people brushing themselves down after a pratfall and deciding life must go, glumly but not entirely hopelessly, on. Their earliest hit, the pastiche Depression musical *Milk and Honey*, revealed them as the heirs of Dorothy Fields, the Broadway librettist and lyricist who hymned the sturdy gumption of working girls and dry men, down but not out. Even the glossy exotism of *Cabaret*, Kander and Ebb's biggest success, is secondary to the dreams and aspirations of its striving and not always conquering characters.

It's easy to see why a very British West End comedy should have inspired them to this 1971 musical. The story of amiably doty geriatrics forming a shopping gang is heaven-sent for the team's specialties: wistful aspirations, unromantic pluck, unwavering individualism. Peter Coke's *Breath of Spring* has naturally been Americanised. The residents of the Sussex Arms, a hotel for "actors in the testine of their careers," turn to crime first to get that "boom-di-boom" of the heart which their nights used to provide, then to raise funds to save their beloved home from developers.

Moving spirit is Ida, who has countless changes of costume, a star entrance and a final post-mortem appearance ("Yes, I died," she chirpily explains to the audience) on a crescent moon. Ida is played by Dora Bryan, astonishingly ageless, shapely of leg and penetrating of voice - with a *sprechgesang* technique perhaps better suited to *Pierrot Lunaire* than "Go Visit Your Grandmother." I for one am not complaining. She exudes sweet reasonableness in

the face of life's insolent and quite unreasonable setbacks, at its freshest expressing the shuffling resilience of little people brushing themselves down after a pratfall and deciding life must go, glumly but not entirely hopelessly, on. Their earliest hit, the pastiche Depression musical *Milk and Honey*, revealed them as the heirs of Dorothy Fields, the Broadway librettist and lyricist who hymned the sturdy gumption of working girls and dry men, down but not out. Even the glossy exotism of *Cabaret*, Kander and Ebb's biggest success, is secondary to the dreams and aspirations of its striving and not always conquering characters.

The songs rely a little too much on those trudging cadences with which Kander and Ebb express caution when her considerable high-kicks succeed (always) and heady-eyed caution in her disclaiming side-glances at us as she essays the splits (successfully).

More seriously, Paul Kerryson's finely-drilled production shows up the gap between the American and British comic traditions. At least one set piece cries out for the transatlantic vaudeville spirit: when the conscience-stricken old dears try to return a stolen coat without the shop-owner realising it, the slapstick demands an American funny lady in the Nora Bayes/Fanny Brice mould. Here, despite the cast's best efforts, it falls flat. The men are better at it than the women, especially Len Howe. Tremendous energy from the whole company - soft-shoe shuffling, tapping, banjo-playing, roller-skating. Jo Stewart leads the five admirable musicians. But the tone is unexcited, unvaried, where the self-parody lies - we could do with more of Pip Hinton and Brian Greene, the elderly love interest, putting their finger on all our surmises about their sex life in that knowing duet "Do We?"

Martin Hoyle

## Sunsets and Glories

WEST YORKSHIRE PLAYHOUSE

In a theatre of pygmies, starved of the wherewithal and increasingly the way, to confront large themes with large structures, Peter Barnes is a colossus whose wings to the stage every three or four years serve as a salutary reminder that there is more to it than two men and a dog.

With *Sunsets and Glories*, his first stage play since the 1985 award-winning *Red Noses*, he addresses the vexed issue of power and pity. His protagonist is the 18th century hermit Peter di Morrone, briefly dragged down from his mountain top and installed as Pope by a college of cardinals stumped for a way around their internecine bickering.

Morrone's predecessor, in an opening scene that is vintage Barnes, is "a maddling sort of man" who professes to have lost God when he gained St Peter's chair and who is unceremoniously stomped by a huge celestial foot, the first of a battery of design extravaganzas offered by Fotini Dimou. The foot, like much of the humour, is straight out of Monty Python. Barnes' strength is his ability to entertain without trivialising his central theme, which is the nature of goodness and the possibility, or otherwise, of its reconciliation with the bad old, mad old world.

We first meet Freddie Jones' Morrone, a tubby, bewhiskered figure, looking less an ascetic than a department store Santa, draped Christlike from a cross in the wilderness. The humour continues as this ridiculous innocent is dragged down to earth and showered with blank papal mandates by a king and queen (Michael Mears and Geraldine Fitzgerald), sublimely, caperingly (unreal) and a collection of worldly devils, led by Jimmy Logan's whoring General, Morrone's successor as Pope.

However absurd these people are, and however absurd their power games (ranging from a farcical communal sleepwalk, courtesy of *Macbeth*, to a charade of angelic prompting by rival Archangels - one a human, the other a common whore), Barnes is careful to dignify all his characters with consciences, if only to be ignored. Even Murray Melvin's tongueless manservant, but of a running joke about inaudibility, is accorded his moments of wounded dignity; enough to remind us that mutilation was a political reality.

Stuart Burge's direction holds the play in an large embrace, a little loosely at times as the stage machinery is cranked up and down from the sprawling Quarry stage, but in tune with the



Freddie Jones

ever-changing register of Peter Barnes. It is a tribute to the stature of both play and production that by the end they can stand the damp-eyed, disconsolate figure of Freddie Jones in a pool of light in confidence that we will believe

him divine. The producers of *Bernadette*, that other, less felicitous recent hymn to sainthood, will tell you how miraculous an achievement that is.

Claire Armitstead

## Kirkby and Varcoe

ST JOHN'S, SMITH SQUARE

The 20th anniversary series at St John's, Smith Square has comprised a mixed selection of events, including the odd celebrity appearance. The duo of Emma Kirkby and Stephen Varcoe on Tuesday presumably sold on the strength of the soprano's name, though it cannot be often that her followers find themselves trespassing as far from the singer's native territory as the songs of Mozart and Beethoven. Let alone the field of late Schubert.

It proved to be an evening of very delicate sensibilities indeed. Instead of the modern grand piano that is still customary at song recitals, even though period instruments have invaded everywhere else, a fortepiano provided the accompaniment in the safe hands of Peter Seymour. The difference was extraordinary, for dynamics, colour, weight, every aspect of the singing, suddenly had to be tailored to its tiny sound.

So genteel was the atmosphere in the hall that when somebody in the row behind whispered cautiously, "It's a rather bland, isn't it?", the comment seemed enough to shatter the decorum of the whole evening. And yet there was a lot of truth in it: songs

were coming and going with little to suggest what might make a piece different from the one before or the one after.

The hapless Stephen Varcoe, well known from his appearances with the Song-makers' Almanac, scaled his voice right down for the occasion. In the first half he addressed himself to the comic songs of Haydn and Mozart, very politely, without much rough-and-tumble. After the interval, more of the vivid personality we know he possesses started to come out in Schubert's "Philoktet" and "Orest auf Tauris," part of an imaginative group featuring Greek tragic heroes.

Emma Kirkby herself was on fine vocal form, reviving in Haydn's "Missa" and making a lovely pure heroine in a Schubert's "Philoktet." There are times when one doubts if she cares about the words or is even on speaking terms with the consonants. Without a grip on the poetry the loftiness of Schubert's vision simply cannot be commanded. If we are to scale down this mannered performance, must we also expect to reduce its greatness by the same margin?

Richard Fairman

## ARTS GUIDE

## EXHIBITIONS

## London

The Royal Academy, The 22nd Summer Exhibition, the oldest established and largest open submission exhibition in the world. It covers the broader centre ground of professional British art. Daily until August 19; sponsored by the Dai-ichi Kangyo Bank.

The Tate Gallery, On Classic Ground: a large exhibition devoted to French, Italian and Spanish art of the first four decades. Until September 2; sponsored by Reed International.

The Royal Academy, Modern Masters from the German Collection: a self-explanatory exhibition of masterpieces of the 20th century. Until July 15; sponsored by Guinness.

## Paris

Centre Georges Pompidou, Andy Warhol. Some 200 works retraces the career of the multi-faceted artist who became one of the main representatives of American Pop Art and part of the *Underground Culture* scene. Until July 15; sponsored by the Centre Georges Pompidou.

Grand Palais, Joseph Wright of Derby. Some 50 paintings and 30 drawings sum up the career of the 18th century portraitist who introduced the chiaroscuro into English art. Closed Tue. Wed late closing, ends July 23 (42896410).

Galeries d'Art Saint Honoré, A Flemish 18th century retablo. Around a large-sized 18th century Adoration of the Magi painted by an anonymous artist

## Antwerp

Rembrandt Bugatti and Belgian Animal sculpture (1880-1930) closed Monday ends July 23. Hesselhuis, 53 Falmour.

Rome

Braccio di Carlo Magno in Piazza San Pietro: Michelangelo and the Sistine Chapel. This exhibition marks the end of a 10-year project by Vatican restorers on the ceiling of the Sistine Chapel, and carefully documents the techniques used and the difficulties encountered by the restorers. Ends July 10.

Palazzo Venezia: Art for Popes and Princes of the 17th and 18th centuries. Over 70 large and exuberant canvases from the country seats of popes, cardinals and the Roman aristocracy in the area stretching south of Rome. Galleria Nazionale d'Arte Moderna, Palazzo Clesio retrospective. Ends Sept 15.

## Florence

Palazzo Vecchio. The age of Masaccio: tying in with the reopening of the Brancacci chapel in the Church of the Carmine after a six-year restoration on the cycle of frescoes by Masaccio and Masolino, are 100 works by painters and sculptors who worked in Florence in the golden years between 1401 (the date of Masaccio's birth) and 1440. Ends Sept 30.

## Naples

Castel Sant'Elmo. In the Shadow of Vesuvius: Naples through the eyes of European artists between 1650 and 1850. Closed Sunday, ends July 21.

## Venice

Palazzo Ducale. Titian. This exhibition, which marks the 5th centenary of the painter's birth, is the largest for over 50 years. Ends Oct 7 and transfers to Washington.

## Bologna

Galleria d'Arte Moderna. Giorgio Morandi retrospective. Over 300 works lent by Italian and foreign museums celebrating the centenary of the painter's birth. Ends Sept 2.

## Munich

Städtische Kunsthalle, Moltkestr. 3. Emil Bernard, a painter always in the shadow of Van Gogh and Gauguin is honoured with a retrospective of 170 early paintings. Ends August 5.

## Essen

Villa Hugel 15. St Petersburg around 1800. With 555 pieces on loan from Leningrad's state Hermitage Museum, the exhibition details the development of Russia from a great empire to a European power. Ends Nov 4.

## Madrid

Museo del Prado. Sanchez Coello (1831-1898). Some 50 paintings by this Spanish artist born in Valencia, predecessor of Velazquez. Ends July 30.

## Barcelona

Fundación Caja de Pensiones. Eduardo Ruyra retrospective. Closed Mon. Ends July 15.

## New York

New York Public Library. More than 125 documents of the Abolitionist Movement display the spirit and drive of the long effort to free the slaves. Ends Sept 15.

Museum of Modern Art. The first retrospective in America in 25 years marks the 80th birthday of Francis Bacon with 60 works dating back to his figure studies of the 1940s.

Metropolitan Museum of Art: The Russian Taste for French painting, representing three centuries of French masterpieces from the Hermitage and Pushkin Museums, covers Foucault to Matisse. Ends July 29.

Museum of Modern Art. New York gets to see the internationally organised exhibit of Matisse's paintings and drawings from 1915 and 1915 during the critical period of his Moroccan stay. Ends Sept 4.

## Washington

National Gallery. More than 90 prints by Edward Munch show the Scandinavian artist at his most colourful and prolific.

National Gallery. More than 10 media are included in the major show of 112 of Jasper Johns's drawings over 35 years. Ends July 29.

Hirshhorn Museum. Paintings, drawings and sculptures from the Bay Area figurative movement of the 1950s and 1960s.

## National Museum of African Art

The national tour of artistic and religious objects, much of it sculpture, encompasses nine centuries of Yoruba civilisation. Ends Aug 26.

National Museum of Women in the Arts. The first major retrospective of the work of Dame Elizabeth Fry includes 60 sculptures and 25 drawings. Ends July 4.

## Chicago

Chicago Historical Society. The Land of Lincoln does its most famous citizen proud in the exhibition *A House Divided*. America in the Age of Lincoln.

Art Institute. Monet's series paintings, including Haystacks, Poplars and Rouen Cathedral, all from the 1890s.

## Tokyo

Telen Museum. Perfume Bottles by René Lalique. Closed alternate Wednesdays.

Tobacco and Salt Museum. Edo Period Publishing. Illustrated books from the period when Japan was closed to the outside world. Closed Mondays.

Rikkyo Museum. Landscape Ukiyo. Woodblock prints by Hokusai and Hiroshige, who established a new indigenous landscape tradition in Japan in the early 19th century.

Shoto Art Museum. Shikuya. Japanese. Exhibition of over 150 prints by late 19th century artists such as Whistler, Pisarro, Toulouse-Lautrec and Manet, who were influenced and inspired by Japanese crafts and ukiyo-e woodblock prints.

## June 29-July 5

## SALEROOM

## Stale goods fail to sell

The importance of offering fresh goods to the market was well illustrated at both Sotheby's and Christie's yesterday when two basically successful auctions - of Old Master paintings and of clocks and watches - were sabotaged by the failure of the two most important lots to find buyers because they had recently been hawked around the time.

Sotheby's was ambitiously hoping for between £2m and £3m for "The Hare in the Forest" by the 18th century German artist Hans Hoffmann. It was commissioned by the Emperor Rudolf II, who paid a hefty 200 guilders for it in 1585. It is Hoffmann's only known oil of an animal and was uncovered in Yorkshire after years of oblivion in 1968 and sold at Sotheby's then for £407,000. The new owner cleaned it up and tried to cash it in, but bidding tailed off at £1.1m.

This spent the Old Master sale went well, totalling almost £7.5m, with 28 per cent unsold. The London dealer Agnew paid £2.75m, at the low end of estimate, for "The Martyrdom of St Bartholomew" by the Spanish artist Ribera who dominated Neapolitan artistic circles in the early 17th century. It, too, disappeared - into a Scottish home - for centuries and was unearthed by Sotheby's in 1983 who sold it then for £550,000.

A flower painting by Ambrosius Bosschaert the Younger

made an even quicker re-appearance under the hammer. Two years ago it sold at Christie's New York for \$305,558. Yesterday it managed \$350,000. A rare early 15th century fresco by Perugino, in poor condition, made \$241,000, and Hazlett Gooden Fox paid the same sum for "An Assembly of Birds" by Melchior de Hondecoeter. Another London dealer, John Van Haeften, paid \$235,500 for a still life of birds by Georg Flegel.

Christie's was offering four bracket clocks by the most famous name in English clock-making, Thomas Tompion, who flourished at the end of the 17th century. One important example, in olive wood, was unsold at £125,000 because it was stale, but a miniature bracket clock with a metal case by Tompion went within estimates for £275,000 and two other Tompions sold for \$198,000 and \$177,000. The latter was from the Rows Lench collection and another clock from this source, a grande commerce bracket clock by Daniel Delandier, who learned his craft from Tompion, did well at \$22,500. Early watches did well and a French watch in the shape of a snail, made by Sermand in Paris around 1640, doubled its estimate at \$33,000.

Christie's South Kensington 'strife' art auction topped £1.1m, with an Austral Islands necklace making \$50,000.

Antony Thornicroft



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## FINANCIAL TIMES

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Thursday July 5 1990

## Nato's new mission

THE speed of events in eastern Europe since November last year has left governments and particularly military alliances too often lost for new policies. Nato, which has been no exception to the rule, has a chance to remedy this situation in London today and tomorrow, when its leaders meet for what has been heralded as one of the most significant western summits in recent years. That ambitious description is justified by the fact that the whole series of east-west negotiations on arms control, the external aspects of German unification and the future European security framework, will be greatly influenced by the outcome of the Nato deliberations.

Members of Nato have always claimed that there is much more to a military alliance than a military alliance. Though forged more than 40 years ago to counter a growing Soviet military threat, the alliance has a specific political dimension which its Warsaw Pact rival has always lacked. As clearly stated in its founding Treaty, it is an association of peoples determined to safeguard the principles of democracy, individual liberty and the rule of law. But now that the Warsaw Pact is disintegrating as a military alliance and that the same democratic principles are being adopted in eastern Europe and even the Soviet Union, the time is ripe for a fundamental review of Nato's role in the world.

## Present trends

There are some who argue that both the western and eastern alliances should be completely subsumed in the new east-west framework, of which an institutionalised Conference on Security and Co-operation in Europe (CSCE) would be the centre-piece. If present trends continue, that might well be a desirable long-term outcome. At this early stage, however, when the political situation in the Soviet Union and Eastern Europe remains highly uncertain, it would be singularly ill-advised for Nato to hasten its demise. It is too easily forgotten that, apart from making an essential contribution to preventing major wars over the past 40 years, Nato has also been the principal instrument

for linking the US politically and militarily with Europe. What the western leaders should strive to do at this point is to flesh out their embryonic ideas about how the new European security structure is going to function. So far, most of the proposals have come from eastern Europe, with East Germany, Poland and Czechoslovakia suggesting regular foreign ministers' meetings, as well as the creation of a permanent CSCE Secretariat and centres for arms control and the settlement of conflicts.

## Constant emphasis

A greater enthusiasm for the CSCE, instead of the constant emphasis in communications that it would be no more than "complementary" to Nato and other institutions in the construction of a new Europe, should be an essential element of the assurances Moscow is seeking on Nato's new image and peaceful intentions. The provision of such assurances, which include President George Bush's proposals for modifications of Nato's long-standing flexible response strategy, must be one of the summit's major objectives. Having dug a hole for itself by its strong opposition to a united Germany's membership of Nato, the Soviet Union should be given the means to save face when it finally changes its mind on the subject, as is generally expected.

It matters little that Mr Bush's proposal that nuclear arms should be "weapons of last resort" does not in practice undermine the traditional doctrine of "first use" of nuclear weapons when conventional defence has proved ineffective. What is important is that it enables Moscow to present the decision as a significant modification of Nato's allegedly offensive military strategy. The London summit's main task is to clear the way to German unification and to lay the groundwork for Europe's new security structure by sending the right signals to the other side. If, in the process, decisions on the alliance's future nuclear strategy are fudged or delayed, that is an acceptable price to pay for the considerable international gains to be made.

## A British baccalaureat

THE most striking shortcoming of UK education policy in the past decade has been the failure to develop a coherent curriculum for 16 to 19 year olds. Ministers still doggedly defend Advanced (A) level examinations, even though these were designed in the 1950s for a tiny university-bound elite. As a consequence, bright students receive an over-specialised education (usually studying at most three subjects for public examinations) while the bulk of the age group is prematurely thrust into the labour market. Some vocational training is available for early leavers but it is often narrowly job specific and usually of poor quality.

Recent years have seen increasingly vociferous demands for reform but, as yet, little government action. The most frequent call is for a broadening of A levels along the lines proposed by the Higginson Committee in 1988 coupled with a concerted effort to improve the rigour and availability of employer-based training. The assumption underlying such conventional wisdom is that a division into academic and vocational streams is inevitable but that both categories deserve a better deal. The ultimate aim of many reformers is to create the kind of educational and training opportunities available in West Germany under the celebrated "dual system".

## Unified qualification

Such an approach is roundly rejected in A British Baccalaureat, a new pamphlet from the (Midland) left-leaning Institute for Public Policy Research. The IPPR doubts that British employers would ever put sufficient stress on training to make the German route feasible, partly because institutional structures, such as powerful chambers of commerce, are missing. More important, it regards the German system as unacceptably divisive. Selection starts at the age of about 10 when children are split into three groups: future apprentices go to either Hauptschule or Mittelschule while the academic cream enters the Gymnasium.

The IPPR argues that low British education performance mainly reflects the divisions in the present system. Post 16, it

points out, academic pupils are divided from the rest through different institutions, different curricula, different modes of study and above all different qualifications. In place of this educational obstacle course, it proposes the creation of a single, unified qualification at 16: the Advanced Diploma or British Baccalaureat. And in order to encourage the majority of students to stay on to take the diploma, it wants to abolish public examinations at 16.

## 'Core' courses

The British Bacc, unlike previous 16 plus exams, would be designed to cater for the great bulk of the age group. It would replace both A levels and existing vocational qualifications. The new structure would be based on three broad domains of study: natural sciences and technology; social and human sciences; and arts, languages and literature. The diploma would involve a balanced mix of academic, practical and community or work based courses.

This central change in the structure of the examination system would be supported by various institutional reforms such as the creation of a unified Department of Education and Training and a rapid expansion of tertiary colleges in place of traditional school sixth-forms. The IPPR is keenly aware that reform is likely to succeed only if the pull of the labour market at 16 can be weakened. It proposes a legislative requirement for study day release for young workers.

The authors are almost certainly right to argue that no amount of tinkering with separate academic and vocational curricula will overcome the problems posed by the division itself. Put simply, so long as a separate academic stream exists, vocational qualifications will be regarded as second rate. The postponement of public exams to the age of 16 will strike many as daring but it only brings the UK belatedly into line with practice abroad. A complete overhaul of this kind is probably the only way to reverse a century of educational policy that has concentrated on selecting an elite rather than educating the majority.

The key economic discussions this weekend and early next week will not be at the Houston summit, but at Basle, where the governors of the European Community central banks will meet.

This will be their first opportunity to examine the new British plan for a hard Ecu. The president of the Bundesbank, Karl Otto Pöhl, rightly concentrated in his IEA Special Lecture in London on the need to face up to the loss of sovereignty implicit in the abandonment of exchange rate adjustments in a European Monetary Union, and the consequent need for a European central bank committed to price stability and able to pursue it independently of national or Community institutions.

Nevertheless, he did less than justice to the British proposals. For a great deal of work has been done, particularly in the Bank of England, to devise a new kind of Ecu, which would not bring the inflationary dangers which the Bundesbank president rightly sees in much previous plans and which could be helpful before the full Monetary Union is reached.

A moderately important innovation is the definition of the hard Ecu, which will never depreciate against any member currency and therefore always rise with the strongest. While the D-Mark has up to now been the most satisfactory standard of value for hard currency contracts, there can be no harm in having a standard which will perform even better, should the D-Mark occasionally fall from grace.

There are purposes for which payment in a bank of currency is rather than a single one may be suitable, and the hard Ecu should remove inhibitions. Moreover, if there is ever going to be a single European currency, it will help if people are familiar with the units before general conversion. (Citizens of East Germany were already familiar with the D-Mark, as any westerner who tried to pay in East Marks in the old days soon discovered.)

The most important innovation in the British plan relates, however, to the operations of the proposed European Monetary Fund. National central banks will have to be prepared to repurchase their own cur-

rency for Ecus, or equivalent hard currencies, on demand by the Fund. If the Ecu catches on, this will be a powerful sanction against lax monetary policies, similar to the threat of a gold drain under the Gold Standard, or a reserve drain under Bretton Woods.

Indeed, I wonder if many of the Bruges Group supporters now so enthusiastically promoting the hard Ecu understand this feature. Some of the Prime Minister's own remarks make one wonder if he accepts the implications. For a redemption obligation would amount to a severe penalty on any tendency to adjust parties any weekend in line with Mrs Thatcher's own personal interpretation of the EMS (at least when these realignments are in a downward direction).

Thus, if the new Ecu were successful the European Monetary Fund would have considerable power over national central banks, and indeed would be an embryonic Eurofed. By downgrading all these aspects the Prime Minister is playing into the hands of all those in the Community who want to sideline the idea, and is also making a mockery of the hard work put in by UK officials.

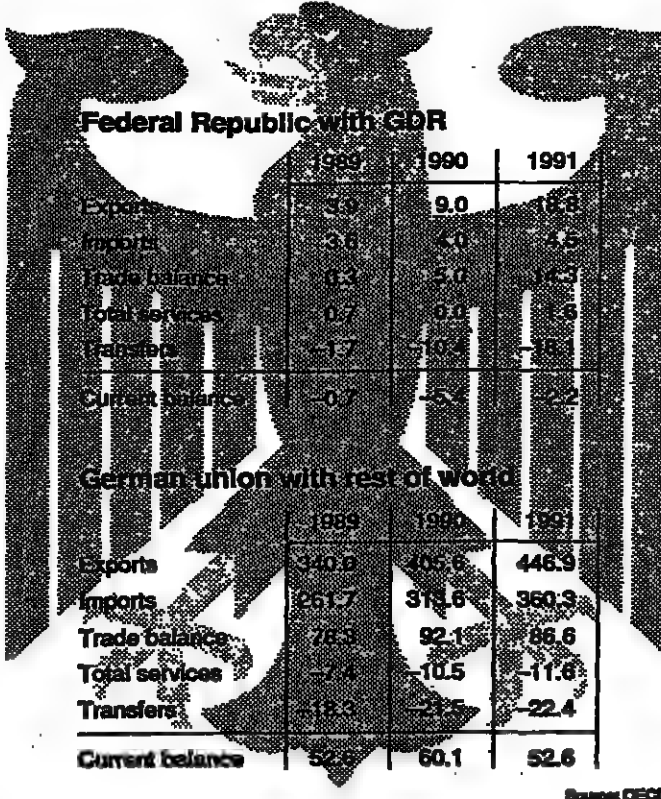
The biggest shortcoming of the British plan is that it provides little guidance on when the conditions are right for moving to the final stage of full Monetary Union. Let us suppose that after several years ECU payments account for, say, 8 per cent of Community GDP. Does that mean that the Community is not ready for a single currency?

Not at all. Does the fact that most UK citizens continued to make contracts in sterling throughout the 1970s show that they were indifferent to high and fluctuating inflation? Historical evidence suggests that inflation has to reach Latin American rates before most people switch into alternative currencies. But this does not mean they are contented, as successive election results show. Few would prefer a currency of stable internal and external value, even if they are not prepared to undergo the inconvenience of switching to a second "parallel" currency to avoid their own.

## The Bundesbank is an agency to which policy for promoting price stability has been delegated

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ECONOMIC VIEWPOINT  
How to save Ecu planBy Samuel Brittan  
German balance of payments

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An analogy is emigration. Even under quite tyrannical regimes most of the population do not emigrate. But they can still be highly discontented and desire a change of regime, as we know from eastern Europe.

It is the rigid refusal to accept a European central bank and common currency even as a distant and conditional aim which prevents British technical ideas from being taken seriously. Mrs Thatcher's constant refrain, that a Eurofed would be unacceptable, confuses accountability with obedience to government. There are plenty of other ways in which Eurofed would be made accountable, for example, to the European or national parliaments, as the Fed is to Congress.

Work of all the Prime Minister confuses liberal democracy with the unfettered right of elected governments to do what they like. The judges are not accountable to the government or even parliament. For elections have accepted that justice is more likely to be done if judges are at arm's length from the political process. They could equally decide to put the control of money at a distance from electoral short-termism. It is appalling that the right wing tanks, who are always preaching about the injustices of the "one motive" and the need for limits to government powers, are so ready to jettison their own beliefs just to stay in Mrs Thatcher's good books.

The great attraction of the D-Mark is that it is not only a high degree of independence, but the national governors would be pledged to act independently.

Mr Pöhl did much to clarify the meaning and limitations of central bank independence in the more "German" parts of his speech and in answers to questions. Like most other experts he would have preferred a step by step approach to German unification (which is why experts should be on top but not on top on historical occasions). He kept on repeating that the Bundesbank was not a separate government but an agency to whom the task of promoting price stability - but not of making state treaties - had been delegated.

The conversion ratio for East Marks was also a political decision. But he did point out that the weighted average conversion ratio for was not "1 for 1" but 1 for 1.8. The newly created Marks added about 10 per cent to the broad West German money supply, roughly in line with the addition to productive capacity from the accession of the GDR. Moreover the new holders do not seem to be embarking on a spending spree.

Mr Pöhl expects public sector borrowing to rise to about 3 1/2 per cent of GDP by 1991 as a result of official help for the GDR and the financing of GDR public deficits. He believes the increase could be justified "but only temporarily in the light of special circumstances". Indeed, interest rates have already risen in anticipation.

Theoretically the cushion of a DM100bn current balance of payments surplus, corresponding to a third of the national savings total, is available to help restructuring in the East. But as German exporters will not give up lightly hard-won world markets, the main scope for relief comes from higher wages, which the OECD sees flowing directly into the GDR.

The OECD forecasts accordingly show little more than a levelling off in the Federal Republic's external surplus, but a more notable falling of for the whole of Germany resulting mainly from increased East German imports from the rest of the world, where supply constraints are less.

## Mrs Thatcher confuses accountability with obedience to government

Some people may also be surprised to see that the Federal Republic has a balance of payments deficit with East Germany. This is because its export surpluses are more than offset by cash transfers to the East. Here is just one more illustration of how misleading the current balance of payments can be as a measure of economic strength.

The disappearance of balance of payments figures between the two parts of Germany was the one minor blot on the otherwise glowing picture of the unification process. Its disappearance inside western Europe as a whole will be not least of the advantages of full Monetary Union.

BOOK REVIEW  
A multi-talented English eccentric

There have always seemed to be two Lord Hailshams: one of them wise and learned, the other a buffoon or what Lord Whitelaw would call a rogue elephant. The same goes for manners. At times he can be courteous and considerate; at others cantankerous almost to the point of rudeness. This book goes a long way towards explaining why.

It should be said at the start that it is a very good book indeed. As British political memoirs go, it is probably the best of the postwar bunch. The main comparisons would be with "Bab" Butler's The Art of the Possible, which as one would expect is more engaging, and Denis Healey's The Time of My Life. Where Hailsham scores over Healey is that his book is better structured, less name-dropping and more personal. Ultimately Hailsham has also had an even more interesting life than Healey.

It is the personal side that is the most riveting. Hailsham has not always been a happy man. His half brother, Edward Marjoribanks, committed suicide, and Hailsham has always felt himself at least partly to blame. He had a first marriage, not listed in Who's Who, which ended in tears, to put it mildly.

He was not usually especially well off - his periods at the Bar being interrupted by war and politics; nor was he always in the best of health. And his political prospects were uncertain from the beginning because his father as Attorney General had accepted an hereditary peerage.

That background no doubt helps to explain the outbursts of bad temper, if not the odd act of buffoonery, like ringing the bell at the Tory party conference. Indeed, Hailsham himself offers no explanation here and seems to regret that he acquired the "rogue elephant" speech, and would certainly have resigned from the shadow cabinet if Powell had not been sacked.

Where I think Hailsham deceives himself is in claiming that if it had not been for his father, to whom he was intensely loyal, he might well not have been a Conservative. Hailsham is a Tory through and through, though also an individualist. It is inconceivable that he could have belonged to any other party.

Over time he has added to the language. The terms "lobby fiddler", "imistic fringes" and, of course, "elective dictatorship" all came first from him. And he was responsible for at least one major innovation. It was Hailsham who called for the right to renounce the peerage before Tony Benn. Clement Attlee, the Prime Minister of the day, would have none of it. A Sparrow's Flight is, in part, deeply religious. It is a compliment to Hailsham that I do not think any non-religious reader will find those sections embarrassing. This is a moving as well as an informative book.

A Sparrow's Flight  
Memoirs  
By Lord Hailsham  
Collins, £17.50, 463 pages

and Technology, special responsibility for the north east and even sport.

The relationship with Macmillan was seldom an easy one. The two men had taken different views on Munich and probably never forgave each other. Yet Macmillan as Prime Minister came to depend on the Hailsham flair to the point of telling him that he wished Hailsham to succeed him. That conversation took place only a few days before Macmillan fell ill and goes a long way to explain why Hailsham leaped into the ring in the subsequent leadership contest.

Hailsham has few, if any, regrets. He has probably had the longest political career of any surviving politician, having served loyally in the wartime coalition. He had already written a memoir, The Door Wherein I Went, after the fall of the Heath Government in 1974. That seemed to be the end. Then came Mrs Thatcher and the prolonged return to office. Finally there was this much fuller account of his life. The author can be sharp. He describes Churchill as a genius in a most careful use of the word, but he also writes that Churchill was one of the prime causes of the magnitude of the Tory disaster at the polls in 1945. "He had absolutely no idea of how other people felt or thought."

He is also humane. Hailsham was one of the first supporters of the Beveridge reform and of the Butler Education Act, which he thought should have gone further by granting equal pay for men and women teachers. He fell out with Enoch Powell over the "rivers of blood" speech, and would certainly have resigned from the shadow cabinet if Powell had not been sacked.

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Malcolm Rutherford

## World Cup special

Japan is not best known for its interest in football. And those Japanese who wanted to follow the World Cup did not find it easy to do so. NHK, the national television station, decided in its wisdom to broadcast only the last stages of the tournament. It said it had a duty to Parliament to maintain a balance between sports and other kinds of programmes.

Two much football would mean less time for some of the best. So it only began to transmit live coverage from the Italy-Argentina semi-final. However, NHK did decide to transmit earlier rounds of the tournament on its satellite channel. Thus fans who wanted to watch the whole of the World Cup had to spend upwards of ¥100,000 on receiving equipment.

NHK denied it was trying to promote the satellite service, but admitted it had 400 complaints. This compares with 500 if a baseball game is interrupted, and 2000 when a sumo broadcast was halted for coverage of a session of Parliament.

## Mandela views

Every speaker's nightmare came true for Nelson Mandela yesterday. Sir Brian Corby, President of the CBI, introduced the deputy leader of the African National Congress to an audience of 250 leading businessmen at London's Centre Point. A murmured consultation followed.

There would be an unavoidable delay, Corby said. Mandela and his speech were in different places. Ten minutes later a somewhat flustered aide arrived, speech in hand.

"I have had two problems this morning," Mandela told the assembly when eventually he reached the lectern. "One you already know about my speech. But the other is more important. I've lost my spectacles and I'm wearing my

## OBSERVER

wife's." Whether Mrs Mandela, whose tendency to radical rhetoric sometimes embarrasses the ANC, would have approved of a text that urged the audience to invest in a post-apocalyptic, mixed economy South Africa, is another matter.

## Menem to play

"The referee was a disaster." Thus spoke Carlos Menem, following Argentina's defeat of Italy in Tuesday's semi-final of the World Cup. Just turned 60, the Argentine President has had rather a jinxed year in office, but still thoroughly enjoys both watching and playing football.

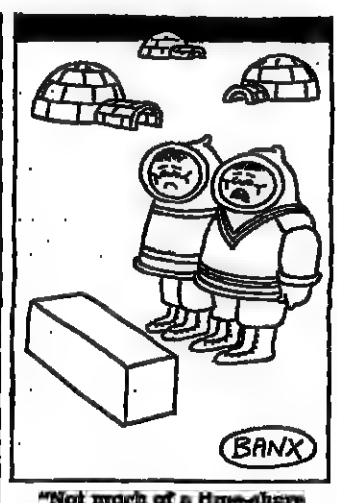
Argentine political cartoonists have had a field day with his favourite hobby. The best cartoons are carried by the left-wing daily, Pagina 12. Yesterday's edition had an anxious Menem in telephone conversation with Carlos Bilardo, the Argentine team manager. Bilardo expresses fears for Sunday's final, given that three of the best Argentine players cannot play since they were booked in the last match.

"What a mess; what do you think about...?" asks Menem. Bilardo interrupts: "No thanks, Carlos. You stay there."

## Welsh move

David Watstone's decision to leave the Welsh Development Agency after seven years as its chief executive was not the best kept secret in Cardiff. He told the Welsh Office early this year of his intention to return to private industry. Still, he may have landed a plum of a job.

Watstone is off to build up AHS, British arm of Compagnie Générale des Baux, the French giant that with a £10bn turnover owns rather a lot in construction, telecommunications,



"Not much of a time-share though, is it?"

tions, water and energy services in France. "We want him to build AHS into a giant in Britain," says Bernard St André, who heads the energy section of the parent company in Paris.

Watstone, now 54 and a former BSC high-flyer, he was a board member before he was 40 - says that seven years at the top of a quango is about enough. A "substantial rise" over his present salary of £63,000 will smooth the path and help with househunting in Bath where his wife, Sandy, has a boutique. He intends to join the growing band of commuters from the Georgian city to his new office in west London.

Hard driving

How long does it take to drive from the Bank of England to Canary Wharf in the Docklands? A quarter of an hour? About 20 minutes? Half an hour?

The answer, according to Peat Marwick McLintock, is only 11 minutes. That, at least, is the result of a survey which

Peat carried out last December for Olympia & York, the developers of Canary Wharf who are looking for ways to reassure future tenants about the project's poor transport links.

Harassed City workers may suspect that Peat did the survey in one of the company's Ferraris at 3 am. But we are assured that the figure was clocked up at the height of the morning rush hour on the basis of 40-50 observed journeys.

## Chisholms

Thornhill Investment Management is holding a party today to celebrate five years of pretty successful business. Why do we mention this? For sentimental reasons really.

One of the founders of Thornhill is Colin Chisholm, formerly of Schroders, then Hambros. Colin is the son of Archie Chisholm, the founder of City Men and Matters, which was the forerunner of the present Observer column. Archie subsequently became editor of the paper, having introduced Men and Matters in an attempt to brighten it up at a time when profits were falling and the budget was being squeezed. He had other distinctions. He worked in the London office of the Wall Street Journal, then became an executive with the Anglo-Persian oil company. He wanted to print the FT on white paper, but was overruled. In 1938 he became the first national editor to appear on television. After the war he went back to oil.

Colin Chisholm is still basically in good form at the age of 57. Son Colin says that the Thornhill business of managing investment for private individuals and family trusts is thriving.

## Rotten river

Seen on the Thames at Richmond: a very rusty old motor boat. Painted on the side is "Cirrhosis of the River."

6 I suppose the usual rules apply at Henley - my hemline down to the knee, and your Clicquot up to the brim? 9

CHAMPAGNE OF THE SEASON

VEUVE CLICQUOT  
LA GRANDE DAME DE LA CHAMPAGNE



# The revival of the fittest

Steven Butler says problems underlie North Sea activity

Good times have returned to the North Sea. Thousands of men are hard at work offshore, modifying platforms, installing safety equipment, and bringing new fields on stream. Exploration drilling should comfortably break the record set in 1984 for holes drilled. Aberdeen house prices have soared to levels set in 1985 before the oil price crashed.

"This is looking to be the best period we've ever seen in the North Sea," says Mr Ian Wood, chairman of the John Wood group, a private Scottish oil services group.

The revival of work is good news for the Scottish - and British - economy following the severe contraction that occurred in 1985, when activity was cancelled, fabrication yards closed and thousands of men laid off.

Oil production is a prime generator of government revenue and export earnings. Likely this year to amount to \$3bn and \$2.5bn respectively. The industry also has broad spin-off effects in employment, manufacturing and exports.

Mr Harold Hughes, director of the UK Offshore Operators Association, estimates that more than 100,000 men working offshore in construction and manufacturing jobs are supplying 31,000 offshore workers. In 1988, oil-related industrial investment accounted for 11 per cent of the UK total oil and gas technology accounted for 8.5 per cent of UK exports. These figures are certain to be higher this year.

Several factors have spurred the North Sea revival:

- Confidence in the future of the industry has been restored, and has not been shaken by a sharp decline in oil prices again this year.
- The attractions of the North Sea, with the UK's extremely favourable tax regime, have been rediscovered by American oil companies as the prospects of finding oil at home decline.
- The UK Government has applied pressure on companies to drill old, under-explored acreage. This has coincided with an upsurge of drilling on acreage that the Government licensed to companies last year on the basis of commitments to drill.
- Offshore platform work has mushroomed as oil companies race to meet a government deadline for installing emergency shut-down valves by the end of the year. This is one of many safety measures stemming from the Piper Alpha

disaster two years ago (in which 167 men died) that is leading operators to modify platforms.

An entire generation of old platforms is being refurbished inside-out to extend productive life beyond the original expectations.

Yet in spite of these clear indications of resurgence, the oil industry is under strain. It is showing the uncomfortable signs of "bumping against capacity limits in some sectors after having cut too far during the lean years. Skilled manpower is in short supply. With business overhauling a rapid cooling in the years ahead could force another painful contraction.

"I think this is a bit of a blip this year and next year," says Mr Chris Fay, head of exploration and production at Shell UK, the largest operator in the North Sea.

Even the welcome increase in work has had an uneven impact across the industry. Companies such as Mr Wood's, which put up skilled crews to perform work offshore, are thriving. Only a few months ago, Mr Wood was a leading critic of the oil companies for what he saw as a short-sighted policy of squeezing margins for contractors.

Mr Wood says, however, that this situation has now improved. Many operators are signing longer agreements that give contractors an incentive to invest in their business and their employees. Mr Wood believes these moves have taken a lot of steam out of the discontent that had surfaced among the workers. Even so, the industry could be vulnerable to industrial action this summer when platforms are shut for modification.

Engineering contractors are also facing potential troubles. Mr Norman Chambers, chief executive of Rockwater, says British design contractors will spend at least 6m man hours this year, an increase of more than 50 per cent from 1988 and double the 1988 figure. This level of work is straining the capacity of the industry.

Mr Chambers warns: "This overextended situation is leading to a no-win situation for the main players."

Delays are being forced on developments, while increases in equipment and personnel costs are squeezing the con-



tractors. Contractors are reluctant to expand out of fear that the surge is temporary.

The drilling industry probably has the scariest tale. Day rates on rigs have risen as the level of activity has set records. But a high rig rate merely attracts vessels from around the world, effectively placing a cap on rate increases.

Moreover, the UK offshore industry, which has been codified and protected by the Government, is facing a more competitive environment as the single European market comes into force after 1992. European contractors are pressing for a higher share of the business, and some are already winning contracts that would have been unthinkable even a year ago.

The single European market made an early arrival two weeks ago when British Petroleum placed bid orders with French and Spanish fabrication yards that could just as easily have been placed at home, in a sector of the industry where there is still plenty of capacity. The European yards put in lower bids, yet in the past those same yards have not even made it to the bid list. North Sea operators have always feared that they would not be awarded exploration licences if they failed to support UK contractors.

The BP orders snatched away work from the yards when business was just recovering. The yards had been hoping that increased work would boost margins, but this now looks less likely. More important, big fabrication contracts are only the most visible end of a whole string of equipment orders that will be supplied from sites close to the yards.

UK operators can no longer exclude European companies from bid lists without risking intervention by Brussels. Mr John d'Amico, director-general of the UK Offshore Supplies Office, which promotes the UK industry, this week said he would still have a job after 1992, ensuring that UK companies had a fair crack at contracts. He will certainly have his work cut out dealing with continental competition, some of which will come from state-owned, integrated conglomerates in which hidden cross-subsidies are impossible to detect. As the guardian of the British supply industry, the OSO puts pressure on offshore operators to give full consideration to UK bidders.

Yet the underlying presumption among all UK operators that an order must be placed in Britain, in the absence of an overwhelming economic justification, will surely come to an end. British suppliers will undoubtedly face more intense and successful competition from European companies.

Oil companies are spending about \$5bn a year in the North Sea. A high level of investment is certain to continue for many years. Last year, UK companies won 81 per cent of all the orders placed by North Sea operators - indicating that a strong industry has developed alongside the growth of oil production. If they are to continue winning the lion's share of a bigger share of the business, and some are already winning contracts that would have been unthinkable even a year ago.

Judy Dempsey on the challenges facing the last bastion of Stalinism

## Winds of change reach Albania

WHEN ruling communist parties elsewhere in eastern Europe tumbled from power last year, the Albanian media poured scorn on the "bourgeois" and "right-wing" forces which succeeded them.

The leadership in the capital Tirana, which still looked to Stalin as the father of "real" communism, steadfastly refused to entertain any ideas of reform. Mr Ramiz Alia, head of the ruling Albanian Party of Labour, publicly repeated his determination to continue along the path carved out by the late Enver Hoxha.

In the past few days, that path has appeared to be approaching a dead end. Hundreds of young Albanians have demonstrated for change in Tirana; scores more have sought refuge in several western embassies, seeking a passage to freedom. The question is whether Mr Alia will be able to map out a more rapid programme for change for Albania's 3.2m people, for if he does not the chances are he will go the way of other discredited communist leaders.

Albania's chosen road was unique. At a time when the communist parties in eastern Europe were embarking on rapid industrial and social change after the Second World War, Hoxha chose to place Albania in a time capsule.

First Hoxha quarrelled with the west after the US and Britain tried to oust the APL from power. In the late 1940s, he broke with Yugoslavia following Tito's row with Stalin; in the 1960s, he refused to bow to Moscow's authority; in the early 1970s, he then fell out with the Chinese, who were becoming too reformist for comfort. He even refused to promote trade with either east or west for fear his country would be influenced by either of the superpowers. Albania remains an agriculture-based economy with little industry beyond chemicals plants and large chrome mines.

But as east-west tensions waned and the winds of change blow into Albania, Mr Alia must choose which side to back: the intellectuals, youth and reformers in the APL who want to open up the country to the outside world, or the conservatives grouped around Hoxha's widow, Mrs Nexhmije Hoxha. The "ambassy" issue presents Mr Alia with a choice: between pressing ahead with reforms and siding with the old guard.

The stakes are high. If Mr Alia allows the Albanians seeking refuge in western embassies safe passage out of the

country, many more people may try to force their way into the diplomatic compounds. If Mr Alia instead clamps down, then the Albanians, hungry for change, could take to the streets in greater numbers.

The leadership was already alerted earlier this year to growing impatience with the slow pace of change. Industrial workers went on strike in January. Students shouted for reforms. Each time, the authorities used force.

Parallel to the repression, Mr Alia cautiously tried to bring Albania out of the Hoxha era. Last May, he lifted the ban on religious practices and he gave people the right to travel. He also tinkered with the economy by introducing incentives to improve productivity.

But the stampede into western embassies clearly indicates that Albanians want more change. The problem is that Mr Alia lacks the support in the APL to push through any economic, political and social reforms aimed at bringing the country out of its long, self-imposed isolation and its economic backwardness.

He is further constrained by the ghost of Hoxha, which today looms over the APL in the form of a giant statue in the former dictator's birth place in Gjirokastra. If Mr Alia or the reformers are to survive, they must dismantle the



Hoxha's statue looms over his birthplace Gjirokastra

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Hoxha legacy. But they face stiff resistance from the Hoxha clan, and if reforms begin to succeed they could stir up old rivalries between Albania's two tribes: the peasant Gëgs, comprising Moslems and Catholics, who live in the mountainous north; and the more educated Tosks, Moslem and eastern Orthodox people who live in the southern plains and along the coast.

Mr Hoxha was acutely aware of the potential for violence between these two tribes. But he kept the warring factions at bay with repression, agrarian reform (which weakened the power of the Moslem landlords or *begs*), and deployment of the nationalist guard.

Albanians rallied around Hoxha because he was seen as the guarantor of their independence, a cherished dream spanning four centuries and one they finally realised in 1920. But now, the intellectuals and the young are clamouring for change. They see little reason for Albania's continuing isolation. Thus, Mr Alia is torn between their demands and the strength of the conservatives. The question is whether he can continue to control change from the top.

He has little support in the APL. He can rely on his Prime Minister, Mr Adil Carandj, his foreign minister, Mr Reis Malles, and the younger generation

of technocrats and diplomats. But these supporters are not numerous enough to defeat the Hoxha clan which is concentrated in the Ministry of the Interior.

The Hoxha clan belongs to the Tosk tribe which was the original engine behind the establishment of the Communist Party. But other factors weld clan members together in their opposition to Mr Alia: patronage, privilege and nepotism. They will be loath to relinquish their powers.

This tight mafia prompted Moscow radio to report in 1982 that "half or more of the 53 members of the Central Committee of the APL are related... Enver Hoxha and his wife Nexhmije Hoxha; Mr Hysni Kapo and his wife Mrs Vito Kapo; Mr Josif Pashko and his wife Mrs Elani Teresi. The wives of Mr Manush Myftiu, Politburo member, and of Mr Piro Peristeri, candidate member of the Politburo, are sisters. The brother of Mr Hysni Kapo's wife is Mr Piro Kandi, also a member of the central committee..."

Mrs Kapo is today Minister of Light Industry. Mr Manush Myftiu is deputy Prime Minister and Mr Peristeri is chairman of the Party Control Commission. Mrs Hoxha retains her close links with the Interior Ministry and the hated Sigurimi, or secret police.

Mr Alia's political future depends on the young and the intellectuals. If they publicly lend him their support, then he can press ahead with reforms and even begin isolating the Hoxha faction. But the latter, backed by the Sigurimi - is likely to fight back.

This, in turn, could unleash wider conflict. Ethnically, Albania is much more homogeneous than multi-ethnic Yugoslavia next door, with a Moslem Majority and small Greek, Catholic and eastern Orthodox communities. But for deep-seated historical and cultural reasons, the country's two tribes - the Gëgs and Tosks - loathe each other. The risk of violence is one Mr Alia will have to take. His Balkan neighbours are waiting nervously.

The most nervous neighbours are Yugoslavia and Greece. The Yugoslavs, particularly the Serbs, fear that any violence or unrest in Albania will spill over into Kosovo, a province that borders Albania. Here, restless ethnic Albanians want greater political autonomy from Belgrade and if nationalists have their way, union with Albania. Such a move would really set the Balkan tinderbox alight.

## LETTERS

### The 364 may have been too influential after all

From Professor D. McWilliams.  
Sir, Mr John Sheppard asks (Letters, July 3) if the infamous 364 economists were so wrong and deplores their lack of influence in public debate on economic policy.

It would be easier to argue the opposite - that the 364 have been too influential and that the surreptitious acceptance of their views has been a prime cause of the inflationary difficulties we now face.

The 364 argued that "the time has come to reject monetarist policies" and that monetarism would not lead to lower inflation. Yet when monetarism was applied we had falling inflation when monetarism was abandoned with no adequate substitute inflation after the usual lag climbed back up.

The 364 argued that a recovery could not occur under the policies of fiscal deflation set out in the 1981 Budget. In fact the policies were less deflationary than they seemed and not only did a recovery occur but ultimately it got out of control.

The critical need in UK economic policy-making today is an acceptance of the fiscal and monetary disciplines that will be required to drive inflation down to the German levels of 0-3 per cent.

The remnants of the 364 try to put forward excuses for avoiding such discipline, the attention paid to their advice should take account of their mistaken recommendations in the past.

Douglas McWilliams, Chief Economic Adviser, Confederation of British Industry, Centre Point, 105 New Oxford Street, WC1

From Mr David Damant.  
Sir, John Sheppard writes that the 364 economists were correct to attack monetarism

in 1981. But Mr Sheppard also points out that since "the end of serious monetary targeting" in 1985 problems such as inflation have returned.

Perhaps the truth is that things started to go wrong again as soon as the traditional establishment, as represented by the 364, began to have a say.

David Damant, Managing Director, Purvis Asset Management, 5 Lombard Street, EC3

From Mr Andrew Smithers.  
Sir, It was unkind of Mr Sheppard to remind us of the views of the 364 economists in his ironic defence of them.

Mr Sheppard's comment "As is so often the case with economists their timing was poor," was particularly cruel, since the ability to predict is the key test of any theory and the economy's recovery, dating almost from the point when the economists were forecasting disaster, is bound to have discredited their views.

His other main point, ignoring its ironic gloss, is that inflationary problems have re-emerged as monetary targets have not been adhered to. Monetarism has been successful in the UK. To paraphrase Chesterton on Christianity - monetarism in the UK has not been tried and found wanting, it has been found difficult and not tried.

Andrew Smithers, Smithers & Co, Sedgwick House, The Sedgwick Centre, E1

From Mr Ken Coutts and Professor Wynne Godley.  
Sir, The issues raised by Mr Sheppard have a special importance because of the suggestion by Mr Sheppard, Sir Douglas Hague in 1988, that "never

in history can a profession have been so manifestly proved wrong in its prediction" which seems to be part of a campaign to dishonour and demoralise academics of all disciplines.

Mr Sheppard's quotation from the 364 economists' declaration is not quite complete. According to his version "there is no basis in economic theory or supporting evidence for the Government's belief that by deflating demand they will thereby bring inflation permanently under control." This sentence should have been completed with the words "and thereby induce an automatic recovery in output and employment." Mr Sheppard also states that "(the) depression... was beginning to lift as the 364 wrote."

It is not really true that the depression was beginning to lift in March 1981 when the economists' declaration was made. Output only grew 2 per cent over the following 12 months, which is well below the growth of productive potential while unemployment rose half a million; personal consumption continued to fall and such increase in output as did occur was almost entirely due to stockbuilding which moved from an annual rate of minus 0.6m in the first half of 1981 to plus 1.5m in the first half of 1982, a turnaround equal to about 3 per cent of gross domestic product.

The "recovery" in demand and output only really began in the middle of 1982 when the removal of credit controls caused a big jump in consumption. And since then, so far from the continuation of "present policies" (the deflation of demand) as feared by the economists there has been the biggest inflationary U-turn of all time. Between 1982 and 1989 household indebtedness rose

about £250bn, the personal saving ratio fell, as a result, from 12 per cent to 6 per cent, and personal consumption, the motor of the entire "recovery," rose at an average rate of 4.8 per annum - far faster than ever before.

Mr Sheppard cannot accuse us of failing to participate actively in the policy debate. In the last Cambridge Economic Policy Review, published in April 1982, we argued: "(Though) inflation... might give a few years of reasonable growth and might start to bring down unemployment, it is not in itself capable of generating sustained recovery. It would scarcely improve export growth or slow down import penetration. Once Britain's balance of payments is again in deficit the growth of domestic expenditure will be constrained, as in the past, by inadequate trade performance in manufacturing. Reflation may check industrial decline but it will not of itself put the process into reverse. Strategies for recovery need to be judged as much in terms of their ability to accomplish this task as in terms of their likely effect on output and employment in the short term."

Since 1982 we have reiterated this view several times a year in leading newspapers and journals as well as on television. We have also pointed out with great emphasis that, since the expansion has been caused by a boom in household borrowing, the idea that any kind of economic miracle ever took place is a very dangerous myth.

Our new review of economic policies and prospects in the 1990s is to be published soon. Ken Coutts, Wynne Godley, Department of Applied Economics, University of Cambridge.

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### Chinese bouquet: grapes 'did not come from reform camps'

From Tian Chunyan.  
Sir, With regard to the article ("China's bouquet of barbed wire," April 4) alleging that the Tianjin labour re-education camp supplies grapes to the Sino-French wine-making venture at Tianjin, I am asked by the Sino-French joint venture to make a number of clarifications.

The grapes used by this joint venture have been largely supplied by the vineyards in Tianjin suburbs and the countryside in the near-by counties. It is a main condition in the contract setting up the venture.

In 1987, this venture purchased 1,179 tons of grapes of which 72 tons came from the farm of the venture itself, 979 tons from Tianjin suburbs and the countryside in the counties, 85 tons from the countryside in Hebei Province near Tianjin and 43 tons from Qinghe Farm in Tianjin.

In 1988, the total purchase of grapes was 1,184 tons of which

17 tons came from the farm of the venture itself, 1,186 tons from Tianjin suburbs and the countryside in the counties, 31 tons from Hebei near Tianjin.

In 1989, the total figure for grapes purchased was 1,235 tons of which 56 tons came from the farm of the venture itself, 1,179 tons from Tianjin suburbs and the countryside in the counties.

From these figures it is clear that only in 1987 did the venture buy a small amount of

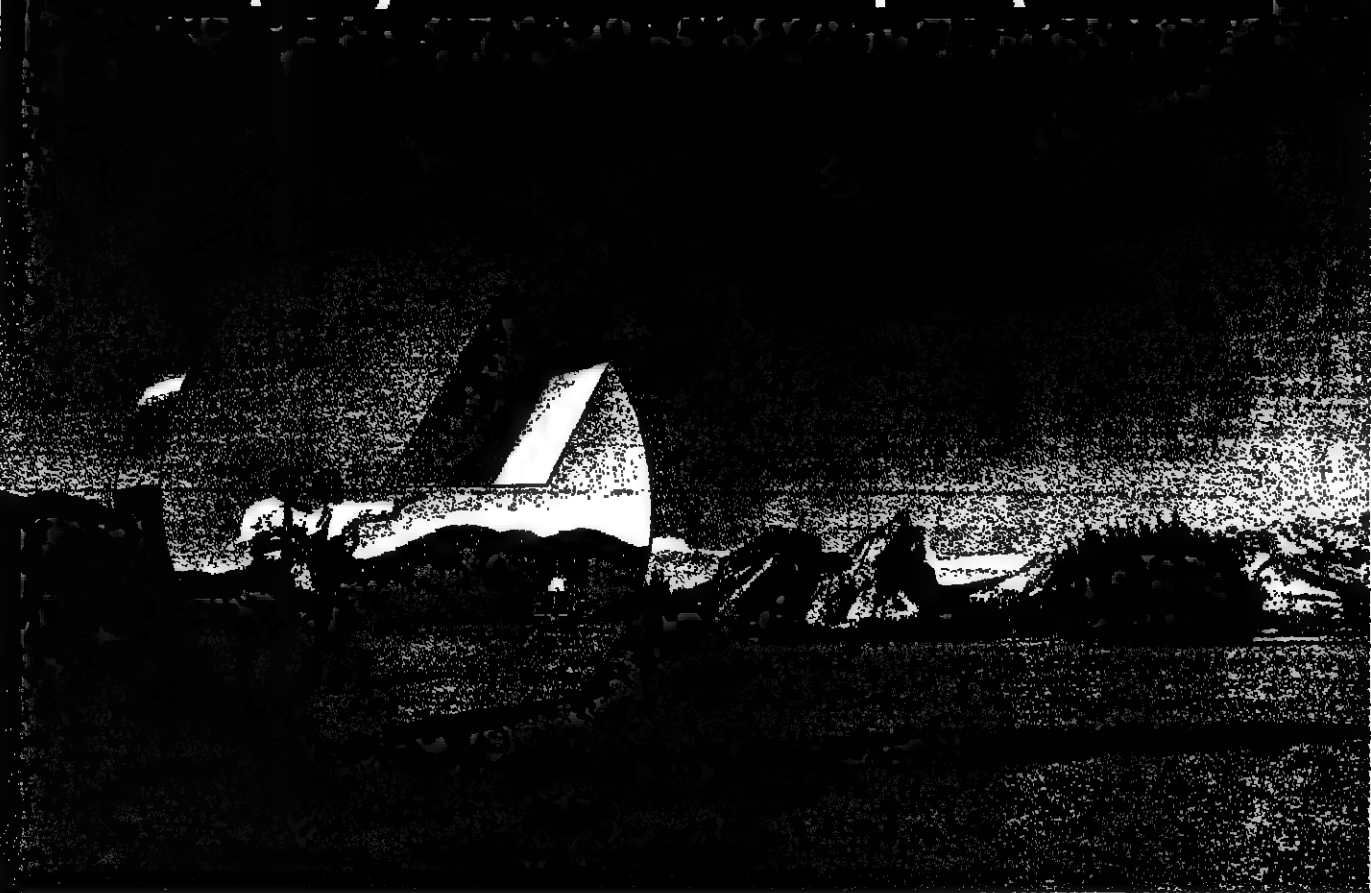
grapes from Qinghe Farm (3.65 per cent of the total of grapes purchased in that year). Qinghe farm is an ordinary farm which has nothing to do with a reform camp. The Sino-French joint venture has never used any grapes from Tianjin labour re-education camp or any other reform camps.

Tian Chunyan, Press Attaché, Embassy of the People's Republic of China, 45-51 Portland Place, W1

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Tian Chunyan, Press Attaché, Embassy of the People's Republic of China, 45-51 Portland Place, W1

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## Overseas investors fight off US Congress

Peter Riddell reports on resentment in Washington over foreign economic influence

FOREIGN investors in the US are having to fight on an increasing number of fronts to defend their interests.

The Association for International Investment (AII), a group opposing restrictions, has identified at least 15 threats at the federal level alone. Mr David Larsen of the AII talks of an "open season on foreign investment."

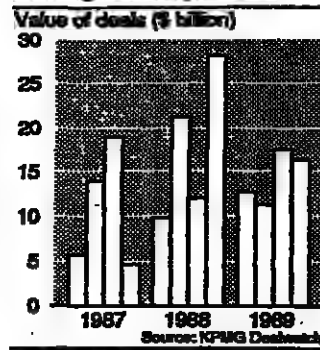
As the national security threat of the Cold War disappears, Americans are becoming more concerned about economic security - the challenge to the US from Japan and a newly assertive Europe.

The US has become more reliant on foreign capital because of its continuing large deficits. Foreign direct investment in the US rose by \$72bn last year to a total of just over \$400bn. This was much larger than the increase in US investment overseas and has led to increased awareness, and in part resentment, of the influence of foreigners.

The main push for action has come from Congress. This has so far been largely resisted by the Bush Administration, which is publicly committed to an open investment policy. But potentially restrictive rules have been adopted, which, while not applied in a discriminatory way now, could be under another administration.

Some of the legislative proposals may not become law this year. But they are likely to be revived next year when they stand a better chance of

### US acquisitions by foreign companies



Source: FTIBG Database

enactment.

The main issues are:  
● Monitoring of acquisitions. Under the Exon-Florio provisions of the 1988 Trade Act, purchases of US companies by foreigners can be reviewed by an inter-agency group, the committee on foreign investment in the US (CFIUS), headed by the Treasury. This advises the President on whether to ban or suspend a deal if evidence is found that an overseas investor might take action to threaten national security or that existing laws do not provide adequate protection.

There is general agreement that the CFIUS staff has handled implementation fairly and efficiently. Only one deal (involving the takeover by Caltex of China of Manco, an aircraft parts producer of Seattle) has been blocked out of 230 reviewed between

August 1988 and last March.

There are worries, however, about increased political pressures to hold inquiries, as shown by the review into the controversial BTR bid for Norton of Massachusetts - although the subsequently dropped takeover was cleared.

There has been a vigorous and lengthy debate within the Administration about the Exon-Florio rules. Foreign investors have pressed, largely without success so far, for a number of modifications - to establish a minimum dollar threshold for transactions, to create a list of exempt industries, to define national security more precisely, to provide greater assurance that already cleared deals will not be reopened (the possibility of some progress, according to AII), the creation of a fast-track procedure for approval, and narrowing the applicability for foreign lenders in case of default (partial reassurance).

The Commerce and Defense Departments, backed by some in Congress, have sought to keep tough provisions as well as to take control of the procedure from the Treasury, which favours open investment. Separately, on Capitol Hill, legislation has been proposed broadening the scope of national security and seeking a process of constant review via public performance requirements negotiated with foreign investors.

● Taxation. The Internal Revenue Service is taking a much closer look at taxes paid by the

US offshoots of foreign owned groups following allegations that the latter, particularly Japanese affiliates, are underpaying taxes as a result of devices such as transfer pricing. Leading House Democrats have proposed legislation to impose additional, and open-ended, reporting requirements on foreign owned, as opposed to domestic, companies and to levy a new 10 per cent withholding tax on the gains from the disposal of foreign-owned assets, except where treaty provisions preclude such a tax.

● Bars on foreign investment. A House bill regulating the cable industry would ban foreign ownership with effect from June 1, and would limit the expansion of existing foreign owned cable operators, in direct contrast to the expansion of US cable ownership in Europe.

● Political activities. The Federal Election Commission voted four to one last Thursday to initiate a rule-making procedure to ban US companies with 50 per cent or more foreign ownership from organising and maintaining Political Action Committees, in effect stopping them making financial contributions to political campaigns. This will be challenged on constitutional grounds.

● Registration and data collection. Congressional proposals, some backed by the Administration, have been made to improve the collection of data on foreign investment.

The controversy is over the extent of the information required, who should have access to it, and hence its confidentiality.

● Financial services. Concern has grown about the decline in the relative position of US banks, especially compared with Japanese ones. The Senate Banking Committee has approved a measure giving US regulators the discretionary power to impose sanctions on countries regarded as discriminating against US financial service groups.

This has been amended specifically to reassure the European Community following last year's banking directive by exempting countries which have a good record of providing open access to US companies. But major legislation on these issues is likely next year.

In addition to these federal moves, foreign investors are also worried about new state legislation, notably laws to make hostile takeovers more difficult, while not specifically aimed at foreigners, can and have been used against them.

### Direct foreign investment in US (Book value in \$bn)

Country	1979	1989
Britain	8.8	12.4
Japan	8.5	28.1
Netherlands	12.7	25.7
Canada	7.2	23.7
West Germany	5.7	28.9

## Mandela encouraged by Thatcher meeting

By Michael Holman and Anthony Robinson in London

MR NELSON Mandela and Mrs Margaret Thatcher, the British Prime Minister, yesterday forged a remarkable and unexpected understanding despite their continuing disagreement over the role of sanctions and violence in hastening the reform process now under way in South Africa.

At the end of a day which began with an appeal for British investment in a post-apartheid South Africa, and a warning that state participation in the economy might prove necessary, the 71-year-old deputy president of the African National Congress said: "I came away from my meeting with (Mrs Thatcher) full of strength and hope."

Mr Mandela said he had briefed Mrs Thatcher on political developments in South Africa, and noted: "She appeared to have a very good grasp of what's going on." Asked whether she was someone with whom he could do business, Mr Mandela said: "I am already doing business with Mrs Thatcher."

He said that on his return to South Africa this month he would meet Mr F.W. de Klerk, the South African President, as a matter of urgency to continue the negotiations which got under way in May on a new constitution for South Africa.



Meeting of minds: Nelson Mandela after his talks with Margaret Thatcher yesterday

At a press conference shortly after his meeting, Mr Mandela refused to set a timetable for lifting sanctions.

He said that during his tour of Europe and North America he had been met with widespread understanding for the ANC's view that sanctions should not be lifted until apartheid was abolished and black South Africans enfranchised. The ANC leader went out of

his way to be complimentary to Mrs Thatcher, turning aside questions designed to highlight any differences.

Describing Mrs Thatcher as "warm and gentle," referring to the "cordial atmosphere" of the "productive talks," he added: "I complimented her for her role in improving international relations, especially between east and west and in the independence of Zimbabwe."

He noted that Zimbabwe's independence was negotiated ten years ago, "but this was the first time I have had to compliment her."

He thanked her for securing the release of his comrades and myself. Downing Street officials gave an equally enthusiastic assessment of the meeting. Mandela seeks to allay investors' fears, Page 4

## French told to cut UK water group investment

By Andrew HIR in London

MR NICHOLAS RIDLEY, the UK Trade and Industry Secretary, is to force France's largest water supplier to cut its investment in a British water company.

Compagnie Générale des Eaux, which already owns 49 per cent of UK water companies, will have to reduce its interest in Mid Kent Holdings, a water supplier in the south-east of England, from 29.9 per cent to no more than 19.9 per cent following a Monopolies and Mergers Commission report into the investment.

The move underlines the British Government's opposition to further consolidation of water company investments, which it believes could make regulation of the newly privatised industry more difficult.

Separately, the Monopolies and Mergers Commission decided that Southern Water's acquisition of a 26 per cent stake in Mid-Sussex Water Company - which is already controlled by another French group, SAUR Water Services - was not against the public interest.

The Commission would have been satisfied with guarantees from Compagnie Générale des Eaux that it would not interfere in the running of Mid Kent. But Mr Ridley wanted firmer action to protect the public interest.

Générale des Eaux said it was disappointed with Mr Ridley's decision, which will leave the French company with the same size stake in Mid Kent as its rival SAUR. Générale des Eaux will now have to liaise with Mr Ian Byatt, the director general of water services, about reducing the holding.

The Department of Trade and Industry's statement could increase concern in the water industry that the Government is compromising Mr Byatt's independence by asking him to play such an important part in enforcing merger policy. His main task as economic regulator is to set price-rise limits for the 39 water companies in England and Wales, thus stimulating competition between the regional monopolies.

In April, the Monopolies and Mergers Commission ruled that the proposed merger of three British water suppliers was against the public interest after Mr Byatt had suggested to the commission that a merger between neighbouring groups, though it reduced charges, would make "comparative competition" between the UK's water companies more difficult to judge.

At Mr Ridley's request, Mr Byatt is now seeking to extract further concessions from the three companies which might enable the merger to go ahead.

Apart from owning large stakes in some of the UK's 29 smaller water suppliers French companies have small holdings in some of the 10 recently privatised water and sewerage companies, which are protected from takeover for five years.

## Japan halts new trade with US under SII

By Robert Thomson in Tokyo and Peter Riddell in Washington

JAPANESE officials said yesterday the US would not be permitted to raise new issues in talks reviewing agreements reached under the Structural Impediments Initiative (SII) on bilateral trade.

Debate on the format of the follow-up talks delayed the drafting of the SII final report last week, and the issue could become a serious problem for the two countries as the US is keen to use the SII structure to discuss a range of trade concerns.

Mr Noboru Hatakeyama, director-general of the Ministry of International Trade and Industry's international trade policy bureau, said both countries had agreed to review progress in the report, and to discuss matters relevant to the agreed points.

"The wording of the agree-

ment may be vague, but the US cannot interpret the wording that way," Mr Hatakeyama said.

It has been agreed to hold follow-up meetings three times in the coming year, and then twice a year.

The US stresses the importance of the follow-up mechanism agreed with Japan as a means of monitoring the undertakings given on reducing business rigidities and barriers to competition.

Mrs Carla Hills, the US Trade Representative, told reporters earlier this week that the US looked at SII as a continuing process, underlined by the follow-up mechanism which she regards as an integral part of the final report.

The US interprets the report

in a broad sense as covering a wide range of business practices, in effect what one official has called a micro-economic version of the Group of Seven macro-economic co-ordination process.

The US will resist any Japanese attempts to narrow its remit.

Mr Hatakeyama said that the SII concept should be expanded, perhaps using the OECD, and could serve as a model for the discussion of broader economic issues in the context of trade.

"This process is very difficult, so we cannot repeat it again and again, but it should develop into a multilateral system. SII is a very broad agreement but we can choose some items and these could be harmonised internationally," he said.

Japanese officials have noted that US Congress has been less appreciative than President George Bush of the SII agreement, and there are fears that the importance and depth of SII will be overlooked by US politicians focusing on raw trade figures over the next few months.

Mr Hatakeyama said that fulfilling SII promises on straightforward items such as public works spending would be easier than the more abstract agreements, such as encouraging leisure among Japanese.

"On these things we don't have such a good record of success. We have to persuade management and labour people to shorten their working hours. We have to work hard to avoid increasing our working hours," he said.

## World Cup misery

Continued from Page 1

Britain's employers' organisation, the CBI, which last year put the cost of absenteeism from work at £5bn, (£8.6bn) took a relaxed attitude to the impact of the World Cup.

"Sporting achievements have in the past helped boost morale, and pride in the country and its products," said one official.

Currency and stock dealers were said to be leaving work early to watch the match.

And at British Aerospace in the north-east of England so many night-shift workers wanted time off to watch the

semi-final that six television sets were installed in the works restaurant.

Even tickets for the first Rolling Stones London concert in eight years were still on sale last night.

In Germany one moral problem remains: how will the rest of the world react now that, having defeated England, it goes on to win the championships?

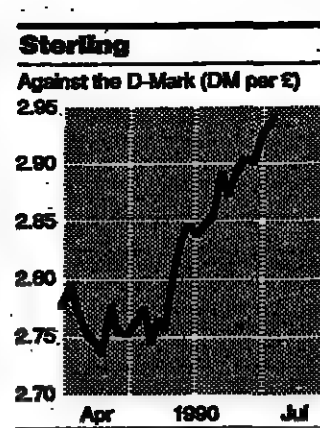
"It would not be good to win the cup in the year that we are becoming united," said, half-seriously, a senior adviser to Chancellor Helmut Kohl. He speculated that it would be worse if Boris Becker won Wimbledon at the same time.

## Second thoughts for the ERM bulls

The UK equity market seems to be moving to the next stage of its thinking on the ERM a little faster than expected. After the initial euphoria, the appreciation of sterling is now a reality. Analysts' thoughts are therefore turning to the implications for the earnings of companies like BTZ, whose shares fell 4 per cent yesterday.

For the corporate sector as a whole, this might seem in one sense illogical. On a trade-weighted basis, sterling is little changed from a year ago. Indeed, the situation is in some ways improved. Sterling is 4 per cent lower against the D-Mark, which helps European competitiveness; but against the dollar it is 13 per cent up, thus holding down input prices. The snag seems to be rather that analysts had been counting on sterling depreciation to help overseas earners in the traditional way. For dollar earners this is not happening; and the damage could be still worse if, as is not impossible, the autumn were to see the Fed easing and the Bundesbank tightening at the same time, thus driving the ERM up further against the dollar.

For domestic earnings, the same two-stage thinking might come to apply. The initial reaction was again euphoric, based on the promised stimulus of lower interest rates. But the fundamental premise of ERM membership remains that demand must be held back until inflation is brought into line. Add to that the question of what happens to the trade deficit with sterling at these levels, and the market may soon be pushed to remember why the ERM ever seemed a bull point at all.



also now look very suspect.

That is partly a matter of BR's lack of scope for much more staff cutting. In each of the 1988 and 1989 financial years, rail network staff dropped 5 per cent. In 1990 the fall was only 0.6 per cent. For the first time since 1985, the key productivity ratio of receipts per train mile worsened to less than £10, and the wages bill is rising 50 per cent faster than total turnover.

Things would be easier if BR's real estate side could realistically expect to continue with profits as high as last year's £412m. But it seems unlikely that in a soft UK commercial property market BR can repeat the near 90 per cent growth in net rental income it saw last year. As for BR's capital expenditure, it rose £200m to £630m; and with £42 new coaches on order for the Kent region alone, that figure seems unlikely to drop much. Expect the fares to go up a lot more as soon as Mr Parkinson thinks he can get away with it.

The majority of independent shareholders still believe that Globe is being sold on the cheap. But if the coalmen really have control of 45 per cent of Globe, its prospects of continuing to operate as an effective independent entity over the long term are minimal. They should be able to mop up enough to win control over the next year.

Faced with this and the uninspiring record of British Coal's majority-owned British Investment Trust, the institutions still holding out are not going to want to stay around as minority shareholders. By contrast, small shareholders have little to lose by waiting to see what happens. They will have time to accept if the bid goes unconditional. And in the unlikely event that it does not, then both sides are still going to have to sit down and work out a solution to an unspectable situation.

### Water mergers

The cynic might argue that the UK Government's latest policy ruling on mergers in the water industry is simply evidence of the politicians' anxiety to keep the industry out of the hands of the French. This is a little unjust. The key issue for the authorities is to balance the obvious savings to consumers from any industry consolidation with the unquantifiable loss of the benefits of having lots of companies producing comparative data. "One has only to see the difficulties the regulators have in policing British Gas and British Telecom to understand the superficial regulatory appeal of maintaining a massive comparative database. Nevertheless, it does not look a policy stance which will stand the test of time."

### Siemens/Nixdorf

It never looked very plausible that Siemens would bid for the publicly held non-voting shares in Nixdorf. But the fact that Nixdorf's non-voting stock is still fetching DM310, 50 per cent more than last October's comparative data, "One has only to see the difficulties the regulators have in policing British Gas and British Telecom to understand the superficial regulatory appeal of maintaining a massive comparative database. Nevertheless, it does not look a policy stance which will stand the test of time."

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Amsterdam	14	10	Cloudy
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Berlin	12	8	Cloudy
Stockholm	11	7	Cloudy
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# FINANCIAL TIMES COMPANIES & MARKETS

Thursday July 5 1990

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## INSIDE Morgan Grenfell goes against the traffic

It may at first sight seem odd. Morgan Grenfell, the British merchant bank, is making a big effort to move back into the third world debt business just as most international banks are doing their utmost to get out. Morgan has taken on board almost the entire third world debt trading team of Citibank, the London-based consortium lender to Latin America liquidated this year. And it is arranging to borrow from its parent, Deutsche Bank, a third world loan portfolio of several hundred million dollars. Stephen Fidler explains why. Page 21

## Hide am' company director

Wagon racing and pancake breakfasts. This week's Western Canada's best-known and most boisterous rodeo, the Calgary Stampede, is a less than ideal place to be for a company director. It is hard to find a company which is not buying, selling or restructuring at least some of its oil and gas properties. Mr Frank Seyer, president of Sayer Securities, a Calgary corporate finance boutique specialising in oil and gas deals, estimates that by the end of June, almost 40 companies had some Cdn\$4bn (US\$3.4bn) worth of assets on the block, compared with 26 companies selling some Cdn\$2.7bn in properties just three months previously. Page 18

## Lots of sour, not much sweet

Long-suffering shareholders of Berisford International are likely to have plenty of questions for the group's new directors when they make their first report on the troubled sugar and property group this morning. Tale & Lyle, the owners group, dropped a controversial bid for Berisford, a move which was widely anticipated along with painful extra provisions of more than £150m, mainly in respect of Berisford's troublesome New York property portfolio. Page 24

## Driving on ice

Loik Le Floch Prigent has brought a tough, no-nonsense style to bear on E.A. Aquitaine, the flagship of France's state-owned oil industry, since taking over there as chairman a year ago. The company is moving faster than ever under his leadership through acquisitions and an increasing concentration on chemicals, an industry close to the heart of this former chairman of Rhone-Poulenc. William Dawkins reports. Page 16

## Big R taints Greene King brew

A strong trading performance at Greene King, the UK brewing group, helped push up pre-tax profits by 5 per cent to £20.13m (£35.82m) in the year to April 22, 1990. But the headway made on the brewing side was overshadowed by problems at the group's associated company, Big R Leisure, which operates roller skating rinks, night clubs and other leisure facilities. Greene King has written off, as an extraordinary item, the £785,000 after-tax cost of its 35 per cent stake in Big R. Page 22

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## Chief price changes yesterday

FRANKFURT (DM)	TOKYO (Yen)
Alcoa	883 + 5
Aluminum	1000 + 200
Bank of America	1000 + 100
Bank of New York	1000 + 100
Bank of Tokyo	1000 + 100
Bank of West	1000 + 100
Bank of Japan	1000 + 100
Bank of China	1000 + 100
Bank of India	1000 + 100
Bank of Korea	1000 + 100
Bank of Taiwan	1000 + 100
Bank of Thailand	1000 + 100
Bank of Vietnam	1000 + 100
Bank of Laos	1000 + 100
Bank of Cambodia	1000 + 100
Bank of Myanmar	1000 + 100
Bank of Sri Lanka	1000 + 100
Bank of Nepal	1000 + 100
Bank of Bhutan	1000 + 100
Bank of Maldives	1000 + 100
Bank of Seychelles	1000 + 100
Bank of Mauritius	1000 + 100
Bank of Zanzibar	1000 + 100
Bank of Swaziland	1000 + 100
Bank of Lesotho	1000 + 100
Bank of Botswana	1000 + 100
Bank of Namibia	1000 + 100
Bank of Zimbabwe	1000 + 100
Bank of Mozambique	1000 + 100
Bank of Angola	1000 + 100
Bank of Guinea	1000 + 100
Bank of Sierra Leone	1000 + 100
Bank of Liberia	1000 + 100
Bank of Ivory Coast	1000 + 100
Bank of Ghana	1000 + 100
Bank of Nigeria	1000 + 100
Bank of Kenya	1000 + 100
Bank of Uganda	1000 + 100
Bank of Rwanda	1000 + 100
Bank of Burundi	1000 + 100
Bank of Tanzania	1000 + 100
Bank of Malawi	1000 + 100
Bank of Zambia	1000 + 100
Bank of Botswana	1000 + 100
Bank of Namibia	1000 + 100
Bank of Zimbabwe	1000 + 100
Bank of Mozambique	1000 + 100
Bank of Angola	1000 + 100
Bank of Guinea	1000 + 100
Bank of Sierra Leone	1000 + 100
Bank of Liberia	1000 + 100
Bank of Ivory Coast	1000 + 100
Bank of Ghana	1000 + 100
Bank of Nigeria	1000 + 100
Bank of Kenya	1000 + 100
Bank of Uganda	1000 + 100
Bank of Rwanda	1000 + 100
Bank of Burundi	1000 + 100
Bank of Tanzania	1000 + 100
Bank of Malawi	1000 + 100
Bank of Zambia	1000 + 100

NEW YORK (Dollars)	NEW YORK (Dollars)
Alcoa	407 + 4
Aluminum	117 + 3
Bank of America	422 + 22
Bank of New York	713 + 13
Bank of Tokyo	1450 + 20
Bank of Japan	240 + 20
Bank of China	345 + 4
Bank of India	515 - 12
Bank of Korea	
Bank of Taiwan	
Bank of Thailand	
Bank of Vietnam	
Bank of Laos	
Bank of Cambodia	
Bank of Myanmar	
Bank of Sri Lanka	
Bank of Nepal	
Bank of Bhutan	
Bank of Maldives	
Bank of Seychelles	
Bank of Mauritius	
Bank of Zanzibar	
Bank of Swaziland	
Bank of Lesotho	
Bank of Botswana	
Bank of Namibia	
Bank of Zimbabwe	
Bank of Mozambique	
Bank of Angola	
Bank of Guinea	
Bank of Sierra Leone	
Bank of Liberia	
Bank of Ivory Coast	
Bank of Ghana	
Bank of Nigeria	
Bank of Kenya	
Bank of Uganda	
Bank of Rwanda	
Bank of Burundi	
Bank of Tanzania	
Bank of Malawi	
Bank of Zambia	

## Unity bond disappoints world markets

By Katharine Campbell in Frankfurt

THE GERMAN Unity Fund, the West German Government's vehicle for financing the restructuring of the East German economy, yesterday disappointed international markets by setting tight terms for its initial bond issue. The first DM6bn 10-year unity bond is to pay a coupon of 8.75 per cent, with an issue price of 101 per cent, representing a yield of 8.60 per cent. The terms are therefore identical to the last German government bond (bund) which was launched in mid-May and then marked the largest single bond issue to date. The tight terms mean that interest is likely to be confined largely to domestic investors. While one large German bank had said it had been prepared for the even more aggressive terms of an 8 per cent coupon, it was generally felt in London that a coupon of 9 per cent was needed to attract international investors in any great number. The West German government plans to borrow DM65bn over the next four and a half years via the Unity Fund, an off-budget route to help finance the steadily mounting costs of restructuring the East German economy. This week's launch is capitalising on the bond market's slightly firmer tone following signs, albeit very early ones, that German economic and monetary union is proceeding relatively smoothly. In London, the Life September bond futures contract fell to the day's low of 83.82, compared with 83.95 at the open, shortly after the bond consortium had agreed terms mid-afternoon in Frankfurt. Prices recovered later to close at 84.08, with buying largely attributed to German banks. Confusion persists as to how the new instrument will trade compared with straight bunds. Because the fund is borrowing under its own name, rather than that of the West German Government, it is expected to trade at a higher yield, though dealers were yesterday revising the size of the differential downwards to under 10 basis points. Unlike the German railways and the postal authorities, the Unity Fund paper carries an explicit government guarantee. Moreover, while Life had said that unity bonds would not be deliverable into its September and December contracts, dealers are now hoping the exchange will change its mind, a move that would improve trading conditions and hence narrow the spread between the two sorts of paper.

## Siemens to get 91% of Nixdorf voting shares

By Andrew Fleher in Frankfurt

SIEMENS, the West German electrical and electronics group, will have 91 per cent of the voting rights in Nixdorf after a capital increase later this year by the loss-making computer manufacturer before the full merger of the two companies. It already holds 51 per cent, after the rescue takeover agreed in January. Siemens' stake will be increased in line with the valuation of the assets it will put into the new merged operation, to be called Siemens Nixdorf Informationssysteme, when it comes into being on October 1. Siemens said the assets of its profitable data and information systems division had been valued at DM1.7bn (£430bn) against DM3bn for those of Nixdorf. Nixdorf's last annual meeting on August 23 will decide on a capital increase to create new shares which Siemens will take in exchange for assets. Siemens will then own voting stock with a nominal value of DM1.46bn with two trusts. The Nixdorf family will still hold stock worth about DM137m. Siemens does not intend to buy the quoted preference shares, quoted yesterday at DM230. Of the combined voting and preference stock, Siemens will own 78 per cent. Siemens' takeover in data and information proceeding in its financial year to September 30, 1989, was DM5.4bn, with an order inflow of DM6bn. Net profits of the division totalled DM252m. In the first eight months of 1989-90, turnover rose by 29 per cent and should total at least DM7bn for the whole year. Last year Nixdorf made a loss of DM107m on turnover of DM43m. See Page 14

## Saatchi sells management consultancy in US for \$70m

By Alice Rawsthorn in London

SAATCHI & SAATCHI, the struggling communications company, has reached conditional agreement to sell Gartner Group, one of its US management consultancies, to Information Partners, a US investment fund, for \$70m. Gartner, which specialises in computer services, was one of the largest companies bought by Saatchi in its ill-fated diversification into management consulting. The Gartner management team, led by Mr Gideon Gartner, the founder of the consultancy, has been trying to organise a buy-out for the business since Saatchi put its consulting division up for sale last summer. The management found it difficult to secure funding because of the depressed state of the US banking market. Saatchi has agreed terms to sell Gartner to Information Partners, which is backed by Dun & Bradstreet, the market research group. Mr Robert Louis-Dreyfus, who became chief executive of Saatchi in January, sold IMS International, a pharmaceutical research company, to Dun & Bradstreet in 1988. Information Partners specialises in information industry management buy-outs. Its backers include Bain Capital, part of the Bain consulting group, as well as Dun & Bradstreet. Information Partners hopes to secure the participation of Gartner's staff and plans to offer them 25 per cent of the equity. Mr Gideon Gartner yesterday held his first meeting to discuss the deal with Mr Stephen Pagliuca, managing general partner of Information Partners, at Saatchi's headquarters, in London. Mr Pagliuca said their discussions were positive. Saatchi, which bought Gartner for \$86m, will receive \$55m in cash and \$15m as either a subordinated promissory note or exchangeable preferred stock on completion. This means that Saatchi will meet its target of raising \$70m (£42.6m) (gross) from the sale this year (the net proceeds of the disposal (\$55m after expenses) of Gartner and Hay, which was sold last month, should reduce Saatchi's year-end debt from \$260m (£458m) to \$195m. Saatchi's shares rose by 1p to 88p yesterday. There are now three consultancies left within Saatchi. The sale of Litigation Sciences for about \$5m should be completed by the end of the group's financial year which is on September 30. The two remaining consultancies, MSL and CPC, are likely to be kept in the condition of their markets, recruitment and property respectively, improve.

## Northwest considers Eastern bid

By Roderick Oram in New York

NORTHWEST Airlines is exploring a bid for follow US carrier Eastern Air Lines. As a first step, it will meet soon with officials of the country's militant machinists union. Co-operation of the International Association of Machinists will be vital to any transaction. A strike by its members, running since March, 1989, drove Eastern to seek Chapter 11 protection from the bankruptcy court. "Everything is just exploratory at this point," said Mr James Conley, a union spokesman. "We would welcome anybody who was determined to put the airline back on its feet." The union is the largest at both airlines, representing about 20,000 employees at Northwest and 8,500 at Eastern. Northwest, parent of Northwest, had no comment on the pending talks although in the past it has indicated an interest in acquiring another carrier. "It's fair to say we have our eyes open," Mr Al Chacchi, NWA's chairman who led a group of investors in a \$3.65bn buy-out of NWA last year, said two weeks ago at a press conference. Northwest is the fourth largest US carrier and Eastern the seventh. Eastern's prime attraction would be its route hub at Atlanta's main airport where it controls 47 gates. Eastern's strength in the southeastern US would help feed NWA's small but expanding transatlantic routes and complement Northwest's strength in the midwest, northwest and across the Pacific. But Eastern is a deeply trou-

The wry message welcoming corporate customers to Foxboro's demonstration centre in Massachusetts reads: "I try to take one day at a time but lately several days have attacked me at once."

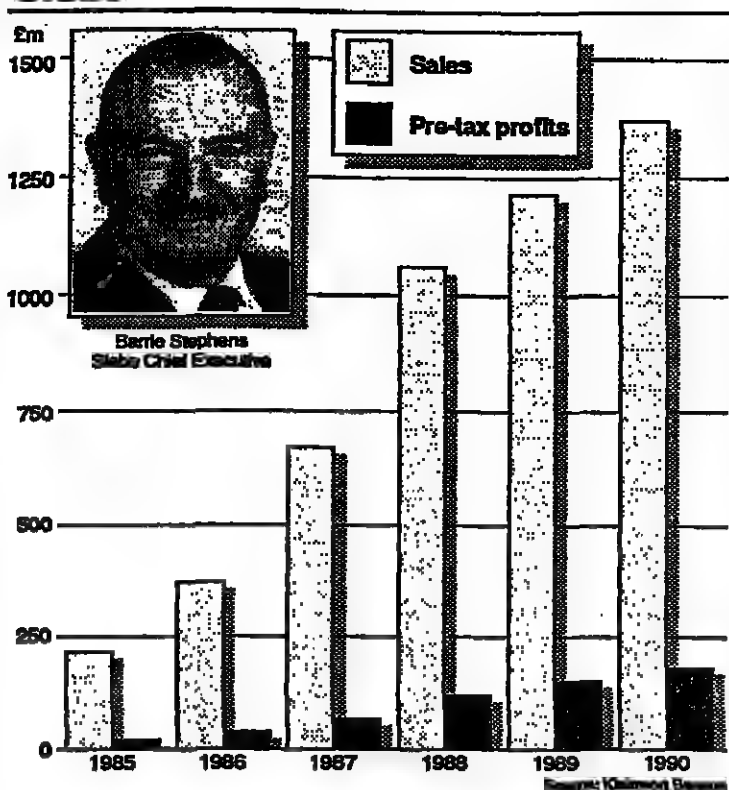
The US manufacturer of process controls has every reason to feel gun-shy. Over the past eight years, it has battled and nearly succumbed to bad markets, indifferent management and troublesome technology. But just when it was beginning to win, it decided this spring it was too small to survive alone in a consolidating global industry. To improve prospects, it agreed last week to a \$656m bid from Siebe, the acquisitive UK engineering group.

The acquisition is significant for Siebe because it will give the company a comprehensive range in controls. "Foxboro plugs a gap in our product and engineering arsenal," says Mr Barrie Stephens, the Siebe chief executive who has masterminded its growth over the past five years. Siebe's main activities are in environmental controls, automotive controls, speed governors and controls for domestic appliances and air conditioning systems. By acquiring Foxboro, the company will move into controls for heavy industrial processes in chemicals, oil and gas, and pulp and paper.

Analysts and investors have accepted Mr Stephens' pitch that the purchase should give Siebe the range to match larger companies such as Honeywell of the US, Asea Brown Boveri of Europe and Yokogawa of Japan.

Without an acquisition in a new area of activity, Siebe would not have been able to maintain the rapid growth of the last five years, which has taken turnover from \$212m (£373m) in 1985 to about \$1.4bn this year. While Foxboro has made great progress in rebuilding its battered business over the last few years, Mr Stephens acknowledges more work remains to be done. Siebe has a record of squeezing higher returns from US acquisitions. Since 1986 it has spent about \$80m on acquiring three US controls companies, Robertshaw, Ranco and Barber Coleman. Analysts believe the potential gains at Foxboro could match the performance of Compair, acquired in 1988 when it made profits of £1.7m on sales of £218m. Last year it made profits of \$30m on sales of \$265m. Foxboro too is a considerable cash generator, but at low margins of about 4 per cent. If Mr Stephens can get Foxboro's margins up to the 10 per cent level which prevails in the rest of the group it should become a handsome earner. Siebe has taken a short-term risk to make the acquisition. Gearing will rise from 23 per cent to 105 per cent. To ease the financing burden, Siebe may float a quarter of its US activities to raise perhaps \$200m. But more important than the financial risk is the managerial gamble. Mr Stephens is confident that a familiar, if higher priced, more efficient manufacturing,

## Siebe



## A big bite for Siebe to chew

Charles Leadbeater and Roderick Oram look at the group's \$656m purchase of Foxboro

tight financial management and much lower stock levels should turn Foxboro around. But Foxboro will be Siebe's toughest challenge yet. Has Siebe bitten off more than it can chew? Founded in 1908 in the town of Foxboro, an hour's drive south of Boston, the company grew into a relatively small but distinguished maker of controls. It was particularly strong in oil, gas and petrochemical processes, prospering hugely on a capital spending boom in those industries in the US and Middle East from the late 1970s until 1982. About 10 years ago it moved into its current headquarters on a magnificent wooded campus. But even now the premises are still a bit big for it following the collapse in demand for its products in 1982. Only this year might sales top the \$500m peak of 1981. For three years, management waited for a rebound. "In hindsight we reacted very slowly," says Mr Gary Willis, Foxboro's chief executive since 1989 and its US sales manager from 1979 to 1982. "We believed some economic reports that the upturn was just around the corner." Finally, in late 1985, it began a drastic restructuring. Problems ran far deeper, though, than the need to cut capacity to meet shrunken demand. "While we were waiting, our competitors

ments such as better microprocessor chips from Intel and more advanced Unix software from American Telephone and Telegraph, its originator.

Development of the system began in earnest in January, 1988, and the first I/A products were hustled into the marketplace in early 1987, so great was Foxboro's need to replace its obsolescent products. Foxboro admits it was a terrible mistake to rush such a big project. Manufacturing of the advanced technology products suffered from poor quality and cost over-runs.

"The first two years in the factory were a blur," says one plant manager closely involved with sorting out the problems.

Worse was to come on software. Glitches plagued the system until this spring. Only then did I/A installations perform as originally specified to customers.

Foxboro says it spent some \$250m developing I/A and another \$50m-\$100m getting it right after the launch. It will not say how much it spent on remedial work on more than 1,000 systems installed before the problems were fixed. One executive says warranty costs increased 10 fold.

As a result, the company reported losses for the last two quarters of 1989 and the first of this year and cancelled its first-quarter dividend, hastening the need to find a buyer.

Heads rolled. A number of senior executives have left the company in the past two years, including the vice presidents of technology and manufacturing. Their replacements came from outside the company - the former, Mr Ernie Caskey, from a division of Emerson Electric, and the latter, Mr Stanley Shaffran, from Black and Decker.

"The biggest challenge for me was to institute a highly-disciplined development environment," says Mr Caskey. "I'm not aware of any installations" now performing below specifications, he says. Siebe and other companies that looked hard at Foxboro say they are satisfied it has overcome its technological problems. Still, much work remains to be done. A new version of the software, due later this year, for example, will allow users to bring data onto their computer screens much faster. The system is also scheduled to switch from Intel's 80286 chip to the more powerful 80386 chip later this year.

Analysts say Foxboro must expand its range of industry applications and incorporate some of Siebe's controls in its I/A platform. It must also rebuild its reputation for quality and its relations with its customers. To earn a decent return for Siebe - which is paying some 80 times forecast 1990 earnings for Foxboro - it must also rebuild its reputation for quality and its relations with its customers. To earn a decent return for Siebe - which is paying some 80 times forecast 1990 earnings for Foxboro - it must also rebuild its reputation for quality and its relations with its customers.

All this amounts to a tall order for Foxboro and Siebe's management. After eight years of struggling there will be no breathing space.

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## INTERNATIONAL COMPANIES AND FINANCE

## Spanish textile producers start to feel the pinch

SPAIN'S highly fragmented textile producers, once one of the country's most viable industrial sectors, are beginning to show serious signs of wear and tear as growing imports, high interest rates and tight credit begin to bite.

Centred traditionally around Barcelona, where about a thousand mainly small companies employ more than 35,000 people, the sector has had a run of bad luck recently from a mysterious outbreak of fires, which last year destroyed 83 plants, to a wave of bankruptcies in the first half of 1990.

This week one of the sector's largest fabric finishers, Proceso y Acabados Textiles, closed with debts of more than Pz22m (\$2m). It was the 48th bankruptcy in the textile sector this year though so far things have not become as bad as 1988, when 52 companies closed.

Although the closures make only a small dent in the total number of operatives in the sector it is becoming increasingly clear that, apart from

large well capitalised producers or smaller ones in value-added niche markets, the highly individualist industry is not coping that well with Spain's entry into the European Community.

## Peter Bruce reports on the industry's growing problems

The Spanish have been forced to accept a dramatic drop in import tariffs, since joining the EEC in 1986 - from 14.4 per cent then to 6 per cent this year, according to the industry association, Interatextil.

Imports, also boosted by the strength of the peseta, have more than trebled since the end of 1985 to some 480,000 tonnes last year while exports have managed only a 4.5 per cent increase in volume terms, to 163,300 tonnes in the same time. In the first quarter of this year, imports rose 29 per cent

with Spain managing to export only 10 per cent more.

The sector was helped through its last crisis, in the early 'eighties, by a massive government restructuring scheme but the European Commission is unlikely to allow a second flow of aid to the sector very soon. Instead, the Government is pressing producers to merge.

"Competitors are not always enemies," Mr Fernando Panizo, a senior industry Ministry official said this week. "The problem is not that imports are growing but that we are incapable of exporting."

Although the outgoing president of Interatextil, Mr Miguel Bosser, warned the same meeting that "you cannot make catastrophic statements about the whole industry," Mr Panizo said Spain exported only 8.4 per cent of the value of textiles it produced. According to a Ministry study, he said, 60 per cent of producers said they had difficulty exporting because they could not speak other languages.

## NEWS IN BRIEF

**BRIDGESTONE**, the world's third largest tyre maker, is setting up a new, Brussels-based company to co-ordinate Bridgestone and Firestone tyre operations within Europe, writes John Griffin.

The company, Bridgestone/Firestone Europe, will have responsibility for 19 Bridgestone and Firestone production and sales companies in Europe. The manufacturing companies have a combined capacity of around 65,000 units per day.

Bridgestone, Japan's largest tyre manufacturer, surprised the world tyre industry by outbidding Pirelli to acquire Firestone Tire and Rubber - the second largest US tyre maker - for \$2.6bn two years ago.

The new company will have responsibility for the overall management - and eventual integration - of production, distribution and sales of the two brands.

**Nestlé**, the Swiss food and consumer products group, has reached a series of co-operation agreements for production of goods for sale in East Germany, AP-DJ reports.

The contracts with East German factories provide for the manufacture of products that Nestlé will distribute in East Germany under its own brand names.

Nestlé officials estimate sales in the medium term in East Germany could amount to the equivalent of around Sfr450m (\$530m). About 1,000 East German workers will be employed under the deals.

**Georg Fischer**, the Swiss engineering group, said it would allow all shareholders to own up to 10,000 registered shares each in future. Swiss shareholders could previously own up to 4,000 registered shares, and foreigners 400.

Fischer said, however, that it would cause registering foreign buyers of its registered stock, if this was necessary to ensure a company statute that foreigners should not own more than 50 per cent of the voting rights.

**Mayne Nicholas**, an Australian transport-based group, has bought full control of two Spanish security services companies for an undisclosed price.

They are Commercial Internacional de Seguridad (Cinseca), which supplies alarm systems, and GIMC Seguridad, which operates guard services.

## Elf-Aquitaine expansion quickens

William Dawkins reports on the plans of the company's new leader

**Elf-Aquitaine**, the flagship of France's state-owned oil industry, has been making larger waves than usual over the past year.

Much of this is due to the influence of the new man at the helm, Mr Loik Le Floch Prigent, a tough 47-year-old Breton who took over at the world's ninth largest oil group almost 12 months ago, who now vows that his big aim is to boost Elf's share price.

He has wasted no time in adding to Elf's oil and gas reserves and expanding internationally in refining, chemicals, and pharmaceuticals, placing Elf at the forefront of the international acquisitions being made by France's aggressive state-controlled industries.

Elf's shares have risen some 40 per cent to around FF764 since the turn of the year - touching a high of FF740 last month - as a result. But Mr Le Floch Prigent is not satisfied. On a prospective price earnings ratio of 8.45, Elf is still one of the cheapest of the world's oil majors, a valuation that Elf executives fear comes from investors' misplaced uncertainties about the state's role as a 66 per cent shareholder through the government holding company, Erap.

"We are not a state-owned company... We have 400,000 public shareholders and so we have the same criteria as any other quoted company," insists Mr Le Floch Prigent, in his spartan office on the 44th floor of Elf's mirror-clad tower block. He admits, at the same time, that having a majority state shareholder is a boon.

"It's an asset on the one hand to have a shareholder in whom we can have confidence, and on the other to be on the market like other companies with the same rules of behaviour as BP, Shell or Exxon with whom we are in competition."

The bearded and straight-talking Mr Le Floch Prigent cuts a refreshingly unusual figure among France's smooth business elite. While many of his peers were drawn from the cream of the Grandes Ecoles - the state higher education bodies that produce many of France's political and industrial leaders - Mr Le Floch Prigent graduated from the relatively unknown Institut National Polytechnique de Grenoble and the University of Missouri.

After a succession of civil service jobs, his appointment as chairman of the newly nationalised Rhône-Poulenc raised eyebrows among those who alleged that he was a political appointee of the Socialist party, had no business experience and was dangerously close to the trade unions.

In the end, he confounded his critics by engineering an impressive turnaround at Rhône-Poulenc, winning himself a fine reputation among France's business elite, before being thrown out by the ensuing right-wing Government in 1986.

His record at Rhône-Poulenc, and his Socialist ties, is exactly why the Socialist Government picked him to take over from Mr Michel Pequeux, the former chairman who was involved in an abortive privatisation plan for Elf under the right-wing administration. As a former industrial policy adviser to the Administration, Mr Le Floch Prigent can hardly be expected to challenge the notion of state-ownership - indeed he defends it bluntly. While the basic shape of Elf is not changing much, the company is moving faster than ever under the firm hand of Mr Le Floch Prigent, with an increasing concentration on chemicals, an industry close to

the heart of this former chairman of Rhône-Poulenc.

In oil and gas, Elf has bought acreage in Nigeria, taken over the exploration and production interests of BP France and acquired new areas in the Norwegian sector of the North Sea.

To cap it all, Elf last month became the first western oil company to strike an exploration and production deal in the Soviet Union - the fruit of a painstaking negotiation started last September.

Recently, speculation ran high over whether Elf would launch a bid for Enterprise Oil, the British independent pro-

ducer in which it holds a 25 per cent stake. Mr Le Floch Prigent refuses to be drawn, beyond revealing that Elf is debating whether to reduce or increase its stake.

"We aren't here to make purely financial investments. We haven't made any decision, but what interests me is what it is possible to do that will be best for our business," he says. He scoffs at suggestions that an acquisition of Enterprise by Elf would amount to the nationalisation of a privatised British company by France.

"When we make an acquisition, we don't nationalise it. Nobody would think of saying the same thing about BP," argues Mr Le Floch Prigent.

Downstream, Elf has been even more busy. Mr Le Floch Prigent was convinced right from the start that he wanted to expand Elf's activities in fine chemicals through its Atochem offshoot and pharmaceuticals through its Sanofi subsidiary, a pattern followed by several of his competitors in search of a balance to their volatile oil earnings.

Last July's \$1.05bn takeover of Penwalt, the US chemicals group, was his first shot in that direction, followed by the acquisition of the petrochemicals and fertiliser activities of Orkem, the French state-owned chemicals group.

The Orkem deal was the main feature of a reorganisation of France's state-owned chemicals sector, resulting from a confidential report written by Mr Le Floch Prigent shortly before joining Elf warning that the industry lacked the critical size to compete adequately on the world stage.

The fastest growing parts of Orkem, the Bostik adhesives businesses and Coates in ink, were sold to Elf's counterpart in the state oil sector, Total. Which company came best out of the division of Orkem is a matter of debate, although it is no secret that Mr Le Floch Prigent fought long and hard over Orkem with Mr Serge Tchuruk, the equally tough chairman of Total. The two men are fierce rivals, since Mr Tchuruk, at 52 slightly older than the Elf chairman, was Mr Le Floch Prigent's number two at Rhône-Poulenc before becoming chairman of Orkem.

It says something about this Socialist Government's attitude to industrial policy that it has chosen two such strong personalities to take charge of its two oil companies. They contrast sharply with the discreet styles of Mr Pequeux and of Mr Tchuruk's predecessor at Total, the statesmanlike Mr François-Xavier Ortoli.

France's two oil barons are far too canny to criticise each other. Mr Tchuruk did tell a meeting of analysts recently that they should not assume that Elf would take over Total in any restructuring of the French oil industry - that it could be the other way round. Such a merger is not on the cards at the moment, but Mr Le Floch Prigent would not agree with the analysis of his former number two.

## Salzgitter and Preussag merger

PREUSSAG said it would completely merge its business with that of the former state-owned engineering group Salzgitter, Reuter reports.

Preussag took over Salzgitter last October, but the two firms have remained separate entities.

Mr Ernst Pieper, management board chairman of both firms, told the Preussag annual meeting that the two businesses would be merged into Preussag on September 30. Thereafter, Salzgitter would exist only as an intermediate holding company. Preussag opted for a full merger for tax and accounting purposes.

Mr Pieper said Salzgitter would later become a limited liability firm holding Salzgitter's property assets and subsidiaries. Despite the large size of the merged company, the management board had no divestment plans, he added. It would aim for internal growth.

Starting this year, Preussag's business year will end on September 30, in line with Salzgitter's business year. It previously reported results on a calendar year basis.

## Daimler-Benz dissatisfied with operating results

DAIMLER-BENZ, West Germany's largest industrial group, said it was dissatisfied with its current operating results, but by 1992 the results should once more be satisfactory, Reuter reports.

"Compared with our traditional yardstick we are not satisfied with our current operating results," Mr Eberhard Reuter, management board chairman, told the annual shareholders' meeting yesterday.

However, he said the recent restructuring should soon pay off and it would not be long before these results were again satisfactory.

Last year Daimler's group net profit, including extraordinary items, rose to DM6.81bn (\$4.12bn) from DM1.7bn the year before.

On a comparable basis, however, group net profit was about unchanged at nearly DM1.7bn.

Earnings were boosted DM6.5bn in 1989 by the adaptation of new accounting rules but this was offset by extraordinary charges of DM1.6bn.

Mr Reuter told shareholders that part of the reason for the disappointing earnings last year were weak domestic sales of diesel cars, currency fluctuations, expenditures on the development of new car models and earlier quality problems.

He added that AEG, Daimler's electronics unit, still had not completed preparations to enter new markets.

Daimler's aerospace unit, Deutsche Aerospace (DASA), also had large investments in connection with the development of the new Dornier 328 aircraft, Mr Reuter said.

However, he was not dissatisfied with DASA's operating results.

DASA last week said it would make a group profit by 1992 at the latest.

Reuter said Daimler is boosting efforts to increase car sales to counter lower earnings due to the strengthening of the D-Mark against significant currencies.

## Well equipped for the future



For Hessische Landesbank, 1989 was yet another successful year, marked by moderate growth in business and income and an expansion of its equity base.

The balance sheet total rose 1.6% to DM 76 billion. The business volume also increased 1.6% to DM 78.1 billion. As in previous years, the emphasis in lending was on long-term fixed-rate credits which advanced to DM 35.3 billion from DM 34.8 billion.

The Bank's own mortgage and municipal bonds outstanding reached a volume of DM 31.2 billion.

After extensive risk provisions and taxes on income and assets, the Bank posted a profit of DM 26 million which will be used to distribute an unchanged dividend of 5% to shareholders.

Following the issue of participation certificates worth DM 265 million, Hessische Landesbank's liable funds, including an unchanged capital of DM 530 million, now amount to DM 1.7 billion.

Financial Highlights	1987	1988	1989
		DM million Dec. 31	
Business volume	73,606	76,835	78,085
Balance sheet total	71,532	74,761	75,964
Total credit volume	54,778	56,109	56,799
Short-term assets	18,589	20,627	21,398
Due from banks	13,490	15,742	16,386
Due from customers	5,099	4,885	5,012
Long-term loans	33,717	34,818	35,323
Loans to banks	6,928	7,700	8,653
Loans to customers	26,789	27,118	26,670
(Municipal loans)	(17,405)	(17,503)	(16,851)
Short-term liabilities	17,765	20,104	22,206
Long-term liabilities	5,672	6,158	6,314
Bonds issued	32,702	32,799	31,239
Capital and reserves	1,396	1,426	1,691
Net income	26	26	26

## Helaba Frankfurt

Hessische Landesbank - Girozentrale

Head Office: Jungfernstieg 18 - 26 - D-4000 Frankfurt/Main - Telephone (069) 122-01 - Telex 415 291-0  
New York Branch: 490, Park Avenue - New York - New York 10022 - Telephone (212) 371 2510 - Telex 234 426  
London Branch: 8, Moorgate - London EC2R 6AR - Telephone (077) 334 6510 - Telex 887511  
Luxembourg Subsidiary: Helaba Luxembourg - Hessische Landesbank International S.A. - 4, Place de Paris  
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## FINANCIAL TIMES

## CREDIT RATINGS international

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FT-Credit Ratings International provides the first comparative listing of the credit ratings assigned to around 5,000 international borrowers by the world's twelve leading rating agencies: Australian Ratings, Canadian Bond Rating Service, Dominion Bond Rating Service, Duff & Phelps, Fitch Investors Service, IBCA Ltd, The Japan Bond Research Institute, Japan Credit Rating Agency, McCarthy, Crisanti & Maffei, Moody's Investors Service, Nippon Investors Service, Standard & Poor's Corporation.

In addition, multiple ratings of individual issuers are aggregated into the unique FT-CRI Composite Index.

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This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities.

June, 1990

29,876,543 Shares



**American Express Company**

**Common Shares**

This portion of the underwriting was offered outside the United States, Hong Kong, Japan, Korea and Singapore by the undersigned.

4,000,000 Shares

Lehman Brothers International

Bear, Stearns International Limited

Goldman Sachs International Limited

Kidder, Peabody International Limited

Lazard Brothers & Co., Limited

Morgan Stanley International

Salomon Brothers International Limited

Amsterdam-Rotterdam Bank N.V.	BNP Capital Markets Limited	Banco Hispano Americano S.A.	Banque Indosuez	Barclays de Zoete Wedd Limited
COMMERZBANK Aktiengesellschaft	County NatWest Limited	Crédit Lyonnais Securities	Deutsche Bank Aktiengesellschaft	Dresdner Bank Aktiengesellschaft
Istituto Bancario San Paolo di Torino	Kleinwort Benson Limited	Merrill Lynch International Limited	J.P. Morgan Securities Ltd.	Generale Bank
NM Rothschild & Sons Limited	Société Générale	Swiss Bank Corporation Investment Banking	UBS Phillips & Drew Securities Limited	S.G. Warburg Securities

This portion of the underwriting was offered in the United States by the undersigned.

14,300,000 Shares

Lehman Brothers

Bear, Stearns & Co. Inc.

Goldman, Sachs & Co.

Kidder, Peabody & Co.

Lazard Frères & Co.

Morgan Stanley & Co.

Salomon Brothers Inc.

Sanford C. Bernstein & Co., Inc.	Alex. Brown & Sons Incorporated	Dillon, Read & Co. Inc.	Donaldson, Lufkin & Jenrette Securities Corporation	Hambrecht & Quist Incorporated
Merrill Lynch Capital Markets	Montgomery Securities	Nomura Securities International, Inc.	PaineWebber Incorporated	Prudential-Bache Capital Funding
Robertson, Stephens & Company	Smith Barney, Harris Upham & Co. Incorporated	Wertheim Schroder & Co. Incorporated	Dean Witter Reynolds Inc.	
Advest, Inc.	Arnhold and S. Bleichroeder, Inc.	William Blair & Company Incorporated	Blunt Ellis & Loewi Incorporated	J. C. Bradford & Co. Incorporated
First Manhattan Co.	Gruntal & Co., Incorporated	Interstate/Johnson Lane Corporation	Janney Montgomery Scott Inc.	Ladenburg, Thalmann & Co. Inc.
Legg Mason Wood Walker Incorporated	McDonald & Company Securities, Inc.	Morgan Keegan & Company, Inc.	Needham & Company, Inc.	Neuberger & Berman Incorporated
Prescott, Ball & Turben, Inc.	The Robinson-Humphrey Company, Inc.	Stephens Inc.	Stifel, Nicolaus & Company Incorporated	Tucker Anthony Incorporated
AIBC Investment Services Corp.	Baird, Patrick & Co., Inc.	Robert W. Baird & Co. Incorporated	Bateman Eichler, Hill Richards Incorporated	Boettcher & Company, Inc.
Brean Murray, Foster Securities Inc.	Carmona, Ferrand, Montes Securities Corporation	The Chicago Corporation	D. A. Davidson & Co. Incorporated	R. G. Dickinson & Co.
Doft & Co., Inc.	Doley Securities, Inc.	Fahnestock & Co. Inc.	First Albany Corporation	First of Michigan Corporation
Gabelli & Company, Inc.	Gerard Klauer Mattison & Co.	Howard, Weil, Labouisse, Friedrichs Incorporated	Jesup, Josephthal & Co., Inc.	C.J. Lawrence, Morgan Grenfell Inc.
WR Lazard, Laidlaw & Mead Incorporated	Lovett Underwood Neuhaus & Webb, Inc.	Mabon, Nugent & Co.	The Ohio Company	Parker/Hunter Incorporated
Pennsylvania Merchant Group Ltd	Pryor, McClendon, Counts & Co., Inc.	Ragen MacKenzie Incorporated	Rauscher Pierce Refsnes, Inc.	
Raymond James & Associates, Inc.	Roney & Co.	Scott & Stringfellow Investment Corp.	Muriel Siebert & Co., Inc.	Smith, Moore & Co.
Southwest Securities, Inc.	Sutro & Co. Incorporated	Wedbush Morgan Securities	William K. Woodruff & Company Incorporated	

This portion of the underwriting was offered in Hong Kong, Japan, Korea and Singapore by the undersigned.

1,700,000 Shares

Lehman Brothers International

Daiwa Securities (H.K.) Ltd

The Nikko Securities Co. (Asia) Limited

Nomura International

Yamaichi International (H.K.) Limited

Daewoo Securities Co., Ltd.	The Development Bank of Singapore Ltd	Jardine Fleming International Inc.	Nippon Kangyo Kakumaru (Europe) Limited
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Subject to certain conditions, the Company will also sell the below referenced shares to Nippon Life Insurance Company at the public offering price.

9,876,543 Shares

Lehman Brothers



## INTERNATIONAL COMPANIES AND FINANCE

## Big bucks in the energy sector rival rodeo stampede

Bernard Simon examines the recent flurry of exchange activity among Canada's oil and gas producers

WHILE western Canada's best-known rodeo, the Stampede, is a week of horse and cowboy games, a less noisy stampede is taking place among the region's energy producers.

It is hard to find a company which is not buying, selling or restructuring at least some of its oil and gas properties. Mr. Frank Sayer, president of Sayer Securities, a Calgary corporate finance boutique specializing in oil and gas deals, estimates that by the end of June, almost 40 companies had some C\$40m (US\$34.4m) worth of assets on the block, compared with 26 companies selling some C\$2.7bn in properties just three months previously.

Conversely, each fortnightly bulletin published by investment banks in Canada, the United States and elsewhere, is peppered with names of foreign buyers of oil and gas properties.

The latest bulletin includes the purchase by Chevron Canada Resources of a number of Alberta oil and gas properties from Esso Resources, an Exxon sub-

sidary, and an investment by a Texas company, Aviva Petroleum, in Red Cliff Energy, a small Calgary exploration and development company.

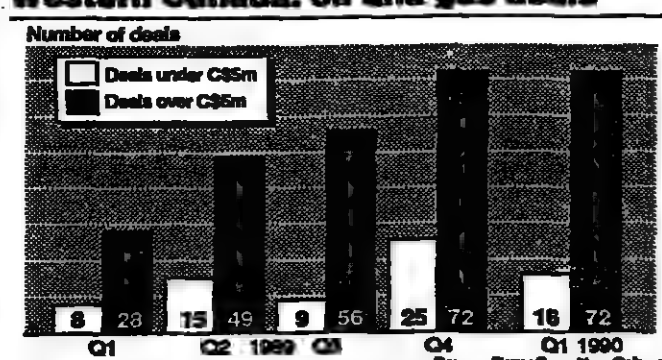
The flurry of activity is reflected in a mushrooming of the middlemen who make a living by bringing buyers and sellers together. Esco International, a group specializing in auctions of oil and gas properties, held the first North American auction with reserve prices in Calgary last February, with nine sellers putting 102 properties up for sale. Esco aims to put about 120 items under the hammer at its next auction in September.

Much of the deal-making is part of a general belt-tightening in response to stagnant oil prices and tighter margins. "People recognise that they can't be all things to everybody," says a strategic planning executive at a large producer. "Companies are now focusing on their strengths."

Thus, many of the assets put up for sale are minority interests in oil and gas fields which do not fit into revamped corporate plans.

Two of the most active sellers are Amoco and Esso

## Western Canada: oil and gas deals



Resources, which are rationalising their interests in the wake of the Canadian oil industry's two biggest takeovers.

Amoco is in the process of selling some of the 20,000 properties in which it gained an interest three years ago when it bought the faltering giant of the western Canadian oil industry, Dome Petroleum. Similarly, Esso is spinning off some of the assets it acquired when its parent company, Imperial Oil, bought Texaco Canada last year.

Canada - appear to be concentrating their efforts on western Alberta, leaving the more speculative properties in eastern Alberta and Saskatchewan to more junior companies.

The action is by no means over. Several of the partners in the big Syncrude oil sands project in Alberta are looking for buyers for their shares.

Petro-Canada is selling off an estimated C\$350m worth of assets ahead of its privatisation. BP Canada, Gulf Resources and Home Oil are all in the midst of corporate restructurings likely to involve a juggling of priorities.

Curiously, centres on Husky Oil, jointly owned by Novor Corp of Calgary and Mr. Li Kashing, the Hong Kong magnate. Nova has said that it is examining its 45 per cent stake in Husky, and rumours in Calgary suggest that Mr. Li may also be thinking of reducing his interest in the company.

The buyers cover a wide spectrum. Fletcher Challenge of New Zealand made its first foray into the north American energy industry earlier this year by paying C\$18m for four sizeable gas fields, an oil field and a number of exploration

## Lufthansa reports disappointing results

LUFTHANSA, the 51 per cent state-controlled West German airline, has recorded a "disappointing" earnings for the first quarter of 1990, Mr. Heinz Ruhnau, chairman, said yesterday, agencies report.

He told the annual shareholders meeting in Dusseldorf, that the company was taking action to buoy profitability in the remainder of the year. "Whenever the financial results do not go according to plan, then swift and decisive counter measures must be taken," he said.

Mr. Ruhnau did not disclose any first-quarter financial data. He reiterated suggestions made in May that the first quarter was weak.

He noted that fuel costs, although stable, had remained relatively high, while the impact of the firm D-Mark against the dollar had negatively affected currency translations.

The company had also been facing rising operating costs and the negative impact of significant flight delays, especially in its European network, had hurt profitability.

Mr. Ruhnau noted that Lufthansa planned to spend about DM100m (\$60m) on capital out-

lays between now and the end of 1992 to fund its global expansion, especially as the European airline market was deregulated.

Current plans, he said, were to step up Lufthansa's fleet by a third to 266 aircraft from about 200 aeroplanes at present.

Separately, Swissair said cost-cutting measures introduced to reverse a slump in business in the early part of the year were starting to bite. Swissair froze new hiring, restricted staff travel and expenses and began to review routes that could be dropped after failing to improve its below-target traffic and revenue.

May costs rose 6 per cent from May 1989 against income growth of 5 per cent. In the year to April, costs had risen 10 per cent while revenues grew only 3 per cent.

Swissair said the improvement in the cost-revenue ratio was at least sufficient to offset the negative effect of currency swings.

It showed that "corrective measures initiated in March and augmented in May are now starting to take effect."

## Changing setting for US jewellery

Karen Zagor looks at a retailing sector after Ratners' \$412m bid

IT WOULD seem a strange time to make a foray into the US jewellery market, when sales are anything but glittering.

But earlier this week Ratners Group, the UK jewellery retailer, doubled its US presence by adding 494 stores when it bought Kay Jewelers in a deal valued at \$412m. The UK company already owns 473 Sterling stores in the US.

Industry sales in the US have not grown since 1988, after years of returning a healthy annual growth rate of about 10 per cent. The problem is that jewellery sales rely entirely on disposable income and are particularly sensitive to cyclical changes in the economy.

At the moment, sales "are somewhere between soft and sick," according to Mr. Kenneth

Geseman, an analyst at Wheat First Securities in Virginia.

This year, US jewellery sales are expected to be flat at about \$22bn, according to Mr. Michael Roman, chairman of Jewelers of America. But it is difficult to keep track of businesses in the fragmented world of US jewellery retailing and the figure is a very rough estimate. Only about 3,000 of the estimated 61,000 US jewellery stores belong to public companies.

The remainder are small, "mom and pop" operations.

If Ratners succeeds in acquiring Kay, the two biggest US jewellery chains will be in

foreign hands. Canada's Peoples Jewellers already controls about 10 per cent of America's jewellery sales - the biggest share of the US market - through its 2,000 Zales and Gordon Jewelry stores.

Overall sales may be slow, but the relatively cheap US dollar can make acquisitions cheap for foreigners.

In addition, big companies such as Ratners and Peoples have the expertise to cut overheads by consolidating computer and inventory control systems. Ratners is well regarded for its sophisticated technology which allows it to

replace fast-selling items almost immediately.

Foreign jewellery companies are also attracted to the US by the buying patterns of Americans, which is not as concentrated at Christmas as it is in most of Europe. Although the bulk of sales and profits are rung up over Christmas, Americans have proved singularly susceptible to the combination of sentiment and commerce and tend to spend heavily on Mother's and Father's days in May and June, when there are also a high number of weddings. Furthermore, the US is the world's

biggest engagement ring market.

According to Ms. Meredith Adler, an analyst at First Boston, jewellery does not fall neatly into the retailing category, since it is primarily a gift item and is generally immune to fashion trends.

Ratners has been accused of acting rashly in its US acquisition because of the US company's bad debts. Kay's bad account write-offs were about 7.5 per cent at the end of December, compared with 3.4 per cent at Zales and 2.5 per cent at Sterling.

Kay ran into difficulty, according to Mr. Roman, because its credit policy was too loose. "It's OK to say OK," was the company's motto. When the economy started to weaken, Kay was left with a growing number of bad credits. Ratners is unlikely to be as liberal with credit.

Although Ratners has said it would like to increase its US market share to 10 per cent from about the 6 per cent it will achieve with the Kay purchase, expansion through acquisition will be difficult. The only remaining big jewellery chain is Barry's, a troubled west coast operation with about 216 stores.

Analysts believe the existing US chains will probably grow, but the general consensus is that they will never usurp the dominance of the family businesses.

## Campeau misses second deadline to find C\$40m

By Robert Gibbons in Montreal

MR ROBERT CAMPEAU has missed a second deadline to come up with C\$40m (US\$34m) needed to regain control of Campeau Corporation from National Bank of Canada.

The bank says talks are continuing with Mr. Campeau and he could be granted another extension.

Mr. Campeau owed the bank the \$40m as first instalment of a \$80m payment due on June 30. It would allow him to regain control of 13m common shares of Campeau Corp and 4m preferred shares. He forfeited the shares and a \$60m

convertible debenture in January after defaulting on a \$150m personal loan from National Bank.

The bank said whether Mr. Campeau wins a further extension will depend on negotiations Campeau Corp is having with its two main creditors, Edward J. DeBartolo Corp and Olympia and York Develop.

The outcome might be known later this week, it added. The bank also said it is satisfied with the first-quarter results of Campeau Corp's two big US retailing groups.

## Notice of an Adjourned Meeting of the Holders of Bond Finance (Exchangeables) Limited

(the "Issuer")  
£103,850,000 6 per cent.  
Guaranteed Exchangeable Bonds due 1998  
Exchangeable into Ordinary Shares of Allied-Lyons PLC  
and guaranteed on a subordinated basis by

## Bond Corporation Holdings Limited

(the "Guarantor")

NOTICE IS HEREBY GIVEN that an adjourned meeting of the holders (the "Bondholders") of the above-mentioned Bonds (the "Bonds") issued by a Trust Deed dated 1988 (the "Trust Deed") and held by the Trustee (the "Trustee") will be held at 12.30 pm (London time) (or, if later, immediately after the conclusion of the adjourned meeting of the holders of the £125,000,000 6 per cent. Guaranteed Exchangeable Bonds due 1998 of Bond Finance (Europe) Limited, on 19th July 1990 at 1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW for the purpose of considering and, if thought fit, passing the following Extraordinary Resolution which was the subject of a Notice of Meeting dated 6th June, 1990 published in this newspaper on that date and which gave notice of a Meeting of Bondholders to be held on 28th June, 1990. At such Meeting a quorum was not present and it stood adjourned to the time and place mentioned above, as designated by the Chairman of the Meeting and approved by the Trustee:-

## EXTRAORDINARY RESOLUTION

THAT the meeting of the holders of the £103,850,000 6 per cent. Guaranteed Exchangeable Bonds due 1998 (the "Bonds") of Bond Finance (Europe) Limited (the "Issuer"), exchangeable into Ordinary Shares of Allied-Lyons PLC and guaranteed on a subordinated basis by Bond Corporation Holdings Limited (the "Guarantor"), constituted by a Trust Deed (the "Trust Deed") dated 6th July, 1988 and made between the Issuer, the Guarantor and Bankers Trust Company Limited (the "Trustee"), hereby:-

- (i) waives and authorises any breach or proposed breach by the Issuer or the Guarantor of the covenant by the Guarantor contained in Clause 19(C) (iii) of the Trust Deed that may arise as a result of the sale by the Guarantor of 50 per cent. of the issued ordinary share capital of all of the Issuer's preference shares, revolved or amended in the Holdings Limited ("BH") to Mancher Holdings Pty Ltd, a wholly owned subsidiary of Bell Resources Limited, on the terms more particularly set out in the Information Memorandum dated 6th June, 1990 prepared by the Guarantor and produced to this Meeting (a copy of which has been initiated for identification by the Chairman of the Meeting) (or such terms as may be modified or amended (including by way of novation to a different purchaser of the agreement relating to such sale) provided that the Guarantor shall have procured that its auditors for the time being shall have certified to the Trustee in form and manner acceptable to the Trustee that any such modification or amendment or novation shall have no greater impact on the ability of BH or any of its subsidiaries to make payments or otherwise to make amounts available to the Guarantor than the terms of the proposed sale more particularly described in the Information Memorandum and shall not include any material change in the purchase price of such sale;
- (ii) sanctions every abrogation, modification, variation, compromise or arrangement in respect of the rights of the holders of the Bonds and the coupons relating to the Bonds against the Issuer or the Guarantor involved in or resulting from the breach or proposed breach referred to in paragraph (i) of this Resolution; and
- (iii) authorises the Issuer, the Guarantor and the Trustee to concur in, execute or do any document, act or thing necessary to give effect to this Extraordinary Resolution and authorises the Trustee to provide any formal consent or approval necessary to enable the sale as referred to in (i) above to proceed.

Copies of the information memorandum (the "Information Memorandum") referred to in the Extraordinary Resolution set out above and which sets out details of the background to, and reasons for, the proposed arrangements and the Extraordinary Resolution are available for collection by Bondholders at the specified offices of the Paying Agents for the Bonds set out below and will be available at the adjourned Meeting itself. A Bondholder will be required to produce evidence satisfactory to the relevant Paying Agent as to his status as a Bondholder before being permitted to collect a copy of the Information Memorandum from the office of that Paying Agent.

The attention of Bondholders is particularly drawn to the quorum required for the adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

## VOTING AND QUORUM

1. A Bondholder wishing to attend and vote at the adjourned Meeting in person must produce at the adjourned Meeting either his Bond(s), or a valid voting certificate or valid voting certificates issued by a Paying Agent relative to the Bond(s), in respect of which he wishes to vote.
2. A holder of Bonds not wishing to attend and vote at the adjourned Meeting in person may either deliver his Bond(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified office of any of the Paying Agents specified below) instructing a Paying Agent to appoint a proxy to attend and vote at the adjourned Meeting in accordance with his instructions. Bonds may be deposited until the time fixed for holding the adjourned Meeting (or, if applicable, any further adjournment of such adjourned Meeting) but not thereafter with any Paying Agent or (to the satisfaction of the Paying Agent) held to its order or under its control by the Operator of the Stock Exchange or by CEDEL S.A., or any other person approved by it for the purpose of obtaining voting certificates or appointing proxies in respect of the adjourned Meeting. Bonds so deposited or held will not be released until the earlier of the conclusion of the adjourned Meeting (or, if applicable, any further adjournment of such adjourned Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the adjourned Meeting (or, if applicable, any further adjournment of such adjourned Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.
3. Any voting certificate(s) issued, any voting instruction(s) given and any appointment(s) of a proxy made pursuant thereto for the Meeting of Bondholders convened for 28th June, 1990 will be valid for the adjourned Meeting unless, in the case of voting certificates, surrendered before, or in the case of voting instructions, revoked or amended not less than 48 hours before, the time for which the adjourned Meeting is convened. Any Bondholder who, for the purpose of obtaining a voting instruction form or voting certificate has delivered his Bonds to the Issuer, or who has deposited his Bonds with a Paying Agent for the purpose of obtaining a voting instruction form or voting certificate, shall be deemed to have authorised the Issuer or the Paying Agent, as the case may be, to use the Bonds so deposited or held for the purpose of obtaining a voting instruction form or voting certificate, as the case may be, for use in connection with the adjourned Meeting.
4. The quorum required at the adjourned Meeting for passing the Extraordinary Resolution (the "Resolution") set out above is two or more persons present holding Bonds or voting certificates or being proxies or representatives (whichever the principal amount of the Bonds so held or represented by them).
5. Every question submitted to the adjourned Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the adjourned Meeting or the Issuer or by two or more persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than one-tenth part of the principal amount of the Bonds then outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy or representative shall have one vote. On a poll every person who is so present shall have one vote in respect of each £1,000 in principal amount of the Bonds so produced or represented by the voting certificate so produced or in respect of which he is a proxy or representative.
6. To be passed, the Resolution requires a majority in favour consisting of not less than three-fourths of the votes cast thereon. If passed, the Resolution will be binding upon all the Bondholders, whether or not present at the adjourned Meeting and whether or not voting, and upon all the holders of coupons relating to the Bonds.

Copies of the Trust Deed may be inspected, and copies of the Information Memorandum, voting certificates and other documents referred to above may be obtained, by Bondholders from the specified office of any of the Paying Agents given below.

PRINCIPAL PAYING AGENT  
Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE.

PRINCIPAL PAYING AGENT  
Swiss Bank Corporation, 1 Aeschengraben, CH-4002 Basel.

PRINCIPAL PAYING AGENT  
Bankers Trust Luxembourg S.A., 14 Boulevard F.D. Roosevelt, L-2450 Luxembourg.

Dated 5th July, 1990 Bond Finance (Exchangeables) Limited

This Notice has been approved by an authorised person for the purposes of the Financial Services Act 1986.

THIS NOTICE IS IMPORTANT IF BONDHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE THEY SHOULD CONSULT THEIR STOCKBROKER, LAWYER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.

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(the "Issuer")  
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## Bond Corporation Holdings Limited

(the "Guarantor")

NOTICE IS HEREBY GIVEN that an adjourned meeting of the holders (the "Bondholders") of the above-mentioned Bonds (the "Bonds") issued by a Trust Deed dated 1988 (the "Trust Deed") and held by the Trustee (the "Trustee") will be held at 12.00 noon (London time) (or, if later, immediately after the conclusion of the adjourned meeting of the holders of the £125,000,000 6 per cent. Guaranteed Exchangeable Bonds due 1998 of Bond Finance (Europe) Limited, on 19th July, 1990 at 1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW for the purpose of considering and, if thought fit, passing the following Extraordinary Resolution which was the subject of a Notice of Meeting dated 6th June, 1990 published in this newspaper on that date and which gave notice of a Meeting of Bondholders to be held on 28th June, 1990. At such Meeting a quorum was not present and it stood adjourned to the time and place mentioned above, as designated by the Chairman of the Meeting and approved by the Trustee:-

## EXTRAORDINARY RESOLUTION

THAT the meeting of the holders of the £125,000,000 6 per cent. Guaranteed Exchangeable Bonds due 1998 (the "Bonds") of Bond Finance (Europe) Limited (the "Issuer"), exchangeable into Ordinary Shares of Allied-Lyons PLC and guaranteed on a subordinated basis by Bond Corporation Holdings Limited (the "Guarantor"), constituted by a Trust Deed (the "Trust Deed") dated 30th March, 1988 and made between the Issuer, the Guarantor and Bankers Trust Company Limited (the "Trustee"), hereby:-

- (i) waives and authorises any breach or proposed breach by the Issuer or the Guarantor of the covenant by the Guarantor contained in Clause 19(C) (iii) of the Trust Deed that may arise as a result of the sale by the Guarantor of 50 per cent. of the issued ordinary share capital of all of the Issuer's preference shares, revolved or amended in the Holdings Limited ("BH") to Mancher Holdings Pty Ltd, a wholly owned subsidiary of Bell Resources Limited, on the terms more particularly set out in the Information Memorandum dated 6th June, 1990 prepared by the Guarantor and produced to this Meeting (a copy of which has been initiated for identification by the Chairman of the Meeting) (or such terms as may be modified or amended (including by way of novation to a different purchaser of the agreement relating to such sale) provided that the Guarantor shall have procured that its auditors for the time being shall have certified to the Trustee in form and manner acceptable to the Trustee that any such modification or amendment or novation shall have no greater impact on the ability of BH or any of its subsidiaries to make payments or otherwise to make amounts available to the Guarantor than the terms of the proposed sale more particularly described in the Information Memorandum and shall not include any material change in the purchase price of such sale;
- (ii) sanctions every abrogation, modification, variation, compromise or arrangement in respect of the rights of the holders of the Bonds and the coupons relating to the Bonds against the Issuer or the Guarantor involved in or resulting from the breach or proposed breach referred to in paragraph (i) of this Resolution; and
- (iii) authorises the Issuer, the Guarantor and the Trustee to concur in, execute or do any document, act or thing necessary to give effect to this Extraordinary Resolution and authorises the Trustee to provide any formal consent or approval necessary to enable the sale as referred to in (i) above to proceed.

Copies of the information memorandum (the "Information Memorandum") referred to in the Extraordinary Resolution set out above and which sets out details of the background to, and reasons for, the proposed arrangements and the Extraordinary Resolution are available for collection by Bondholders at the specified offices of the Paying Agents for the Bonds set out below and will be available at the adjourned Meeting itself. A Bondholder will be required to produce evidence satisfactory to the relevant Paying Agent as to his status as a Bondholder before being permitted to collect a copy of the Information Memorandum from the office of that Paying Agent.

The attention of Bondholders is particularly drawn to the quorum required for the adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

## VOTING AND QUORUM

1. A Bondholder wishing to attend and vote at the adjourned Meeting in person must produce at the adjourned Meeting either his Bond(s), or a valid voting certificate or valid voting certificates issued by a Paying Agent relative to the Bond(s), in respect of which he wishes to vote.
2. A holder of Bonds not wishing to attend and vote at the adjourned Meeting in person may either deliver his Bond(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified office of any of the Paying Agents specified below) instructing a Paying Agent to appoint a proxy to attend and vote at the adjourned Meeting in accordance with his instructions. Bonds may be deposited until the time fixed for holding the adjourned Meeting (or, if applicable, any further adjournment of such adjourned Meeting) but not thereafter with any Paying Agent or (to the satisfaction of the Paying Agent) held to its order or under its control by the Operator of the Stock Exchange or by CEDEL S.A., or any other person approved by it for the purpose of obtaining voting certificates or appointing proxies in respect of the adjourned Meeting. Bonds so deposited or held will not be released until the earlier of the conclusion of the adjourned Meeting (or, if applicable, any further adjournment of such adjourned Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the adjourned Meeting (or, if applicable, any further adjournment of such adjourned Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.
3. Any voting certificate(s) issued, any voting instruction(s) given and any appointment(s) of a proxy made pursuant thereto for the Meeting of Bondholders convened for 28th June, 1990 will be valid for the adjourned Meeting unless, in the case of voting certificates, surrendered before, or in the case of voting instructions, revoked or amended not less than 48 hours before, the time for which the adjourned Meeting is convened. Any Bondholder who, for the purpose of obtaining a voting instruction form or voting certificate has deposited his Bonds with the Issuer, or who has deposited his Bonds with a Paying Agent for the purpose of obtaining a voting instruction form or voting certificate, shall be deemed to have authorised the Issuer or the Paying Agent, as the case may be, to use the Bonds so deposited or held for the purpose of obtaining a voting instruction form or voting certificate, as the case may be, for use in connection with the adjourned Meeting.
4. The quorum required at the adjourned Meeting for passing the Extraordinary Resolution (the "Resolution") set out above is two or more persons present holding Bonds or voting certificates or being proxies or representatives (whichever the principal amount of the Bonds so held or represented by them).
5. Every question submitted to the adjourned Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the adjourned Meeting or the Issuer or by two or more persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than one-tenth part of the principal amount of the Bonds then outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy or representative shall have one vote. On a poll every person who is so present shall have one vote in respect of each £1,000 in principal amount of the Bonds so produced or represented by the voting certificate so produced or in respect of which he is a proxy or representative.
6. To be passed, the Resolution requires a majority in favour consisting of not less than three-fourths of the votes cast thereon. If passed, the Resolution will be binding upon all the Bondholders, whether or not present at the adjourned Meeting and whether or not voting, and upon all the holders of coupons relating to the Bonds.

Copies of the Trust Deed may be inspected, and copies of the Information Memorandum, voting certificates and other documents referred to above may be obtained, by Bondholders from the specified office of any of the Paying Agents given below.

PRINCIPAL PAYING AGENT  
Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE.

PRINCIPAL PAYING AGENT  
Swiss Bank Corporation, 1 Aeschengraben, CH-4002 Basel.

PRINCIPAL PAYING AGENT  
Banque Indusuisse Luxembourg, 39 Allée Scheffers, L-200 Luxembourg.

Dated 5th July, 1990 Bond Finance (Europe) Limited

This Notice has been approved by an authorised person for the purposes of the Financial Services Act 1986.

THIS NOTICE IS IMPORTANT IF BONDHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE THEY SHOULD CONSULT THEIR STOCKBROKER, LAWYER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.

## Saitama International (Hong Kong) Limited

(Incorporated in Hong Kong)

US \$100,000,000  
Guaranteed Floating Rate Notes Due 1995

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 8th February, 1990 to 8th August, 1990 the accumulated interest amount payable is US \$28.86 per US \$100,000 nominal.

Agent Bank  
Bank of America International Limited

## Toray Industries, Inc.

(formerly Toray Rayon Kabushiki Kaisha)

S.G. Warburg & Co. Ltd. announce that a dividend of Yen 4.50 per share has been paid to shareholders on the books of the above Company as at 31st March, 1990 in respect of the six month period ended on that date.

Holders of Bearer Deposit Receipts issued by S.G. Warburg & Co. Ltd. may present Coupon No. 15 for payment at:-

S.G. Warburg & Co. Ltd.  
Paying Agents,  
2 Finsbury Avenue,  
London EC2M 2PA

Payment will be subject to deduction of Japanese Withholding Tax and in London, United Kingdom Tax (where applicable) at the appropriate rates. Details of tax deduction can be obtained from the Paying Agents.

5th July, 1990

## DUTY FREE INDUSTRY

The Financial Times proposes to publish this survey on:

20th September 1990

For a full editorial synopsis and advertisement details, please contact

JONATHAN WALLIS  
on 071 873 3565

or write to him at:

Number One  
Southwark Bridge  
London  
SE1 9HL

FINANCIAL TIMES



# Carter Holt plans a return to its century-old roots

Dai Hayward on proposals to sell the company's non-forest assets

In spite of objections from the independent directors of Elders Resources NZF, the company's new controlling owner - Carter Holt Harvey (CHH), a forestry-based New Zealand group - will press ahead with plans to sell off the non-forest assets included in the acquisition.

This is in line with the desire of Mr Richard and Mr Ken Carter, the twins who are executive chairman and managing director respectively, to return the company to a wood fibre processing group.

Mr Richard Carter says buyers are lining up for the assets in oil, gas and coal mining, which could be sold within six months. Anything not sold within 15 months will be auctioned.

The 158,000 hectares of planted forest acquired from Elders Resources, added to CHH's existing 68,000 hectares of planted trees, will give the company a huge forest resource. It will also retain a large pulp and paper mill and modern sawmills.

Before the acquisition CHH had assets of NZ\$300m (\$170m), of which now 10 per cent, NZ\$55m, in their desire to bring the company back to a forestry-based operation, the Carter twins are returning to their family and company roots.

The business began just over 100 years ago when Francis Carter set up a small sawmill to log New Zealand's virgin forests. The business prospered and in 1952 his son Alwyn brought all the family timber and milling interests together in a public company.

Today, run by Francis's twin grandsons, a much expanded CHH is an international forestry, fishing, industrial, energy and investment group with turnover of NZ\$1.54bn in the year to March and net profits of NZ\$191.4m. It ranked third last year in the New Zealand forestry sector and was the country's fifth largest company by market capitalisation.

After expanding rapidly in Australasia over the past two decades, CHH now also has a big stake in Chile's forestry, fishing and energy industries. Although the decision to move into Chile was made only four years ago, about a third of net profits in its latest year came from Chile, and more than a quarter of its assets were there.

Mr Richard Carter, enthusiastic about the opportunities offered by Chile's economic growth, its large renewable forest and its strategic

location among Pacific Rim countries, persuaded his board in 1986 to launch a US\$1bn investment and expansion programme there.

Of this US\$900m is going into expanded paper, pulp and forestry production and US\$100m into fishing. This investment is producing results, with a contribution to profit already coming from sales of an extra 45,000 tonnes produced from the company's bleach kraft mill.

The expansion is now in its second phase. When completed in 1992 production at the mill will be lifted to 800,000 tonnes - doubled over four years. The programme also includes construction of a new medium density fibreboard plant producing wooden panels, expansion of the unbleached kraft production

to 265,000 tonnes a year while at the same time reducing production costs and lifting quality.

Other plans include the purchase of modern fishing vessels for the large fleet and expansion of on-shore fish processing facilities.

The programme is being funded mainly from profits and resources of the Chilean companies, with some loans for the main pulp expansion arranged through the World Bank.

The base for CHH's Chilean investments is through its half ownership of Inversiones y Desarrollo Los Andes, an investment company which in turn owns 59.1 per cent of Copeco, a large forestry and energy group.

Copeco's profits for calendar 1989 were the equivalent of NZ\$228m, a jump of 40 per cent. Last November Arauco, a Copeco subsidiary, signed an agreement with Sweden's Stora, Europe's largest forest products company, for a joint venture which will involve four pulp mills fed by Arauco's 400,000 hectares of planted radiata pine forests.

CHH also owns half of Fibropapel Chile, a manufacturing company, and 49.9 per cent of the Esquelva Iquique fishing operation.

At home, CHH is in the middle of a restructuring programme which has seen it sell off its New Zealand plastics division, canning operations, retail groups on both sides of the Tasman, and its holding in Southern Australia Perpetual Forest.

Mr Richard Carter says the group's strategic plan is to focus on an ever more significant force in New Zealand's forest industry. One important acquisition, in December 1988, was the previously privately owned Caxton Group of companies which dominates New Zealand's lucrative toilet paper and tissue markets, selling 85 per cent or more of New Zealand's toilet paper.

CHH paid an estimated NZ\$200m for Caxton. The chase doubled its forestry base and added pulp and paper mills and other forestry facilities in New Zealand and the Pacific.

Caxton is described as the world's only integrated tissue maker - from growing the trees, milling, pulp manufacturing, production of the tissue through to marketing. CHH has already expanded and improved the operation. A new pulp mill, due for completion later this year, will lift production to 75,000 tonnes, giving CHH 50,000 tonnes of high-grade tissue pulp available for export.

Carter's technicians have also developed new production techniques to improve the bonding strength of fibre in pulp produced from different types of wood, but at the same time consume less energy in the production process. CHH has patented these techniques around the world and is now selling the process to countries such as Sweden.

The restructuring has left the group with stronger cash flows and well placed to attract the benefit from any upturn in the New Zealand economy, but in spite of its Elders Resources acquisition, it is to Chile that the group is looking for the most promising growth during the coming year, says Mr Richard Carter.

# Trygg-Hansa in Estonia deal

By Robert Taylor in Stockholm

TRYGG-HANSA, the Swedish insurance company, has reached a co-operation agreement with Eesti Kindlustus, the Estonian national insurance company, with the main purpose of providing advisory services and insurance protection in convertible currency for joint venture investments in Estonia.

Trygg-Hansa said yesterday the agreement was "an important breakthrough in the development of West's relations with the Baltic states."

The two companies hope to develop close relations in a range of activities. A feasibility study will be carried out with the aim of creating a new Estonian insurance company within the framework of the country's new economic independence programme.

The Swedish company made it clear to the Estonian authorities during their discussions on the agreement that Estonia needed a "well-developed business insurance sector, partly for the purpose of creating investment capital for industry through build-up funds."

Talks have also been held between the two sides on the development of private insurance companies in Estonia.

Trygg-Hansa said yesterday this would mainly take the form of a transfer in knowledge. After the summer it is proposed to prepare the way for the launch of a sickness insurance system.

The company intends to present a preliminary report on this to the Foreign Trade Council in Estonia on November 1 with the intention of establishing a licence for such activity from January 1991.

This foray by Trygg-Hansa into the East follows a co-operation agreement with Ingostrakh, the Soviet insurance company, covering joint-venture insurance operations throughout the Soviet Union.

## Notice of Adjourned Meetings of the Holders of

## Bond Finance International

(the "Issuer")

U.S. \$200,000,000 5% per cent.

## Guaranteed Subordinated Convertible Bonds due 1997

Unconditionally guaranteed on a subordinated basis by, with non-detachable subordinated conversion bonds issued by and with conversion rights into Ordinary Shares of,

## Bond Corporation Holdings Limited

(the "Guarantor")

NOTICE IS HEREBY GIVEN that adjourned Meetings of the holders (the "Bondholders") of the above-mentioned Bonds (the "Bonds") and conversion bonds constituted by a Trust Deed dated 9th July, 1987 (the "Trust Deed") and made between the Issuer, the Guarantor and Bankers Trust Company Limited (the "Trustees") will be held at 2.00 pm (London time) (or, if later, immediately after the conclusion of the adjourned Meeting of the holders of the \$100,000,000 Guaranteed Subordinated Convertible Bonds due 1997 of Bond Finance International (the "Issuer"), in the case of the adjourned first Meeting referred to below and at 2.30 pm (London time) (or, if later, immediately after the conclusion of the adjourned first Meeting), in the case of the adjourned second Meeting referred to below, on 18th July, 1990 at 1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW for the purpose of considering and, if thought fit, passing the following Extraordinary Resolutions which were the subject of a Notice of Meetings dated 6th June, 1990 published in this newspaper on that date and which gave notice of Meetings of Bondholders to be held on 28th June, 1990. At the first Meeting of Bondholders held on 28th June, 1990, a quorum was present but the Chairman of such Meeting, with the consent of the Meeting, adjourned such Meeting to the time and place mentioned above. At the second Meeting of Bondholders held on 28th June, 1990, a quorum was not present and the second Meeting stood adjourned to the time and place mentioned above, as designated by the Chairman of the second Meeting and approved by the Trustees:

### ADJOURNED FIRST MEETING

### EXTRAORDINARY RESOLUTION

THAT this meeting of the holders of the U.S. \$200,000,000 5% per cent. Guaranteed Subordinated Convertible Bonds due 1997 (the "Bonds") of Bond Finance International (the "Issuer"), unconditionally guaranteed on a subordinated basis by, with non-detachable subordinated conversion bonds (the "Conversion Bonds") issued by and with conversion rights into Ordinary Shares of, Bond Corporation Holdings Limited (the "Guarantor"), constituted by a Trust Deed (the "Trust Deed") dated 9th July, 1987 and made between the Issuer, the Guarantor and Bankers Trust Company Limited (the "Trustees"), hereby:

(i) approves, authorises and gives consent to the deferral of the interest due on the Bonds on 9th July, 1990 until 9th July, 1991, such interest then to be payable in full with the interest due on the Bonds on 9th July, 1991, on condition that the Issuer is to be satisfied that the deferral of the interest due on the Bonds on 9th July, 1990, such note to be guaranteed by the Guarantor and payable on 9th July, 1991 in the event that such interest is not paid on that date by the Issuer and to be issued on such other terms as may be determined by the Issuer in its absolute discretion; and

(ii) approves, authorises and gives consent to the deferral of the interest due on the Bonds on 9th July, 1990 until 9th July, 1991, such interest then to be payable in full with the interest due on the Bonds on 9th July, 1991, on condition that the Issuer is to be satisfied that the deferral of the interest due on the Bonds on 9th July, 1990, such note to be guaranteed by the Guarantor and payable on 9th July, 1991 in the event that such interest is not paid on that date by the Issuer and to be issued on such other terms as may be determined by the Issuer in its absolute discretion; and

(iii) approves, authorises and gives consent to the deferral of the interest due on the Bonds on 9th July, 1990 until 9th July, 1991, such interest then to be payable in full with the interest due on the Bonds on 9th July, 1991, on condition that the Issuer is to be satisfied that the deferral of the interest due on the Bonds on 9th July, 1990, such note to be guaranteed by the Guarantor and payable on 9th July, 1991 in the event that such interest is not paid on that date by the Issuer and to be issued on such other terms as may be determined by the Issuer in its absolute discretion; and

(iv) approves, authorises and gives consent to the deferral of the interest due on the Bonds on 9th July, 1990 until 9th July, 1991, such interest then to be payable in full with the interest due on the Bonds on 9th July, 1991, on condition that the Issuer is to be satisfied that the deferral of the interest due on the Bonds on 9th July, 1990, such note to be guaranteed by the Guarantor and payable on 9th July, 1991 in the event that such interest is not paid on that date by the Issuer and to be issued on such other terms as may be determined by the Issuer in its absolute discretion; and

(v) approves, authorises and gives consent to the deferral of the interest due on the Bonds on 9th July, 1990 until 9th July, 1991, such interest then to be payable in full with the interest due on the Bonds on 9th July, 1991, on condition that the Issuer is to be satisfied that the deferral of the interest due on the Bonds on 9th July, 1990, such note to be guaranteed by the Guarantor and payable on 9th July, 1991 in the event that such interest is not paid on that date by the Issuer and to be issued on such other terms as may be determined by the Issuer in its absolute discretion; and

(vi) approves, authorises and gives consent to the deferral of the interest due on the Bonds on 9th July, 1990 until 9th July, 1991, such interest then to be payable in full with the interest due on the Bonds on 9th July, 1991, on condition that the Issuer is to be satisfied that the deferral of the interest due on the Bonds on 9th July, 1990, such note to be guaranteed by the Guarantor and payable on 9th July, 1991 in the event that such interest is not paid on that date by the Issuer and to be issued on such other terms as may be determined by the Issuer in its absolute discretion; and

(vii) approves, authorises and gives consent to the deferral of the interest due on the Bonds on 9th July, 1990 until 9th July, 1991, such interest then to be payable in full with the interest due on the Bonds on 9th July, 1991, on condition that the Issuer is to be satisfied that the deferral of the interest due on the Bonds on 9th July, 1990, such note to be guaranteed by the Guarantor and payable on 9th July, 1991 in the event that such interest is not paid on that date by the Issuer and to be issued on such other terms as may be determined by the Issuer in its absolute discretion; and

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(ix) approves, authorises and gives consent to the deferral of the interest due on the Bonds on 9th July, 1990 until 9th July, 1991, such interest then to be payable in full with the interest due on the Bonds on 9th July, 1991, on condition that the Issuer is to be satisfied that the deferral of the interest due on the Bonds on 9th July, 1990, such note to be guaranteed by the Guarantor and payable on 9th July, 1991 in the event that such interest is not paid on that date by the Issuer and to be issued on such other terms as may be determined by the Issuer in its absolute discretion; and

(x) approves, authorises and gives consent to the deferral of the interest due on the Bonds on 9th July, 1990 until 9th July, 1991, such interest then to be payable in full with the interest due on the Bonds on 9th July, 1991, on condition that the Issuer is to be satisfied that the deferral of the interest due on the Bonds on 9th July, 1990, such note to be guaranteed by the Guarantor and payable on 9th July, 1991 in the event that such interest is not paid on that date by the Issuer and to be issued on such other terms as may be determined by the Issuer in its absolute discretion; and

(xi) approves, authorises and gives consent to the deferral of the interest due on the Bonds on 9th July, 1990 until 9th July, 1991, such interest then to be payable in full with the interest due on the Bonds on 9th July, 1991, on condition that the Issuer is to be satisfied that the deferral of the interest due on the Bonds on 9th July, 1990, such note to be guaranteed by the Guarantor and payable on 9th July, 1991 in the event that such interest is not paid on that date by the Issuer and to be issued on such other terms as may be determined by the Issuer in its absolute discretion; and

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(xiv) approves, authorises and gives consent to the deferral of the interest due on the Bonds on 9th July, 1990 until 9th July, 1991, such interest then to be payable in full with the interest due on the Bonds on 9th July, 1991, on condition that the Issuer is to be satisfied that the deferral of the interest due on the Bonds on 9th July, 1990, such note to be guaranteed by the Guarantor and payable on 9th July, 1991 in the event that such interest is not paid on that date by the Issuer and to be issued on such other terms as may be determined by the Issuer in its absolute discretion; and

(xv) approves, authorises and gives consent to the deferral of the interest due on the Bonds on 9th July, 1990 until 9th July, 1991, such interest then to be payable in full with the interest due on the Bonds on 9th July, 1991, on condition that the Issuer is to be satisfied that the deferral of the interest due on the Bonds on 9th July, 1990, such note to be guaranteed by the Guarantor and payable on 9th July, 1991 in the event that such interest is not paid on that date by the Issuer and to be issued on such other terms as may be determined by the Issuer in its absolute discretion; and

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# Aerolineas tender near collapse

By Gary Mead in Buenos Aires

ARGENTINA'S planned privatisation of Aerolineas Argentinas, the national airline, for which bids are due to be officially announced tomorrow, appeared on the brink of collapse yesterday with the news that another company - KLM, the Dutch airline - had withdrawn from the tender.

KLM's decision was followed by an announcement from Varig, the Brazilian airline with which KLM had formed a joint venture for the purposes of buying the 85 per cent of Aerolineas up for sale, that was also withdrawing.

KLM was the third company, following American Airlines and Alitalia, the Italian airline, to pull out of the tender in its final stages. A KLM management official said in Amsterdam that Aerolineas sale "was not interesting enough for us."

The sole interest left in Aerolineas comes from a group led by Iberia, the Spanish airline, which yesterday confirmed it would go ahead and present its bid on Friday.

Iberia is in partnership with Cielos del Sur, a local Argentine company which manages Austral, a domestic airline privatised in 1987. The Iberia group is backed by Credit Suisse First Boston and the

Argentine bank Banco Provincia de Buenos Aires.

Yesterday Argentina's President Carlos Menem expressed his irritation with the late withdrawals of American Airlines, Alitalia and KLM, saying their "failure to comply with promises has resulted in a very annoying situation."

He said Friday's examination of bids would go ahead and if the Iberia consortium met the conditions of sale, it would succeed in its bid; if not, a new tender would be staged. Argentina has stipulated a minimum of \$220m in cash, with at least \$150m in debt-equity exchange.

## Notice of Adjourned Meetings of the Holders of

## Bond Finance International

(the "Issuer")

£30,000,000 6 per cent.

## Guaranteed Subordinated Convertible Bonds due 1997

Unconditionally guaranteed on a subordinated basis by, with non-detachable subordinated conversion bonds issued by and with conversion rights into Ordinary Shares of,

## Bond Corporation Holdings Limited

(the "Guarantor")

NOTICE IS HEREBY GIVEN that adjourned Meetings of the holders (the "Bondholders") of the above-mentioned Bonds (the "Bonds") and conversion bonds constituted by a Trust Deed dated 9th July, 1987 (the "Trust Deed") and made between the Issuer, the Guarantor and Bankers Trust Company Limited (the "Trustees") will be held at 3.00 pm (London time) (or, if later, immediately after the conclusion of the adjourned Meeting of the holders of the £10,000,000 Guaranteed Subordinated Convertible Bonds due 1997 of Bond Finance International (the "Issuer"), in the case of the adjourned first Meeting referred to below and at 3.30 pm (London time) (or, if later, immediately after the conclusion of the adjourned first Meeting), in the case of the adjourned second Meeting referred to below, on 18th July, 1990 at 1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW for the purpose of considering and, if thought fit, passing the following Extraordinary Resolutions which were the subject of a Notice of Meetings dated 6th June, 1990 published in this newspaper on that date and which gave notice of Meetings of Bondholders to be held on 28th June, 1990. At the first Meeting of Bondholders held on 28th June, 1990, a quorum was present but the Chairman of such Meeting, with the consent of the Meeting, adjourned such Meeting to the time and place mentioned above. At the second Meeting of Bondholders held on 28th June, 1990, a quorum was not present and the second Meeting stood adjourned to the time and place mentioned above, as designated by the Chairman of the second Meeting and approved by the Trustees:

### ADJOURNED FIRST MEETING

### EXTRAORDINARY RESOLUTION

THAT this meeting of the holders of the £30,000,000 6 per cent. Guaranteed Subordinated Convertible Bonds due 1997 (the "Bonds") of Bond Finance International (the "Issuer"), unconditionally guaranteed on a subordinated basis by, with non-detachable subordinated conversion bonds (the "Conversion Bonds") issued by and with conversion rights into Ordinary Shares of, Bond Corporation Holdings Limited (the "Guarantor"), constituted by a Trust Deed (the "Trust Deed") dated 9th July, 1987 and made between the Issuer, the Guarantor and Bankers Trust Company Limited (the "Trustees"), hereby:

(i) approves, authorises and gives consent to the deferral of the interest due on the Bonds on 9th July, 1990 until 9th July, 1991, such interest then to be payable in full with the interest due on the Bonds on 9th July, 1991, on condition that the Issuer is to be satisfied that the deferral of the interest due on the Bonds on 9th July, 1990, such note to be guaranteed by the Guarantor and payable on 9th July, 1991 in the event that such interest is not paid on that date by the Issuer and to be issued on such other terms as may be determined by the Issuer in its absolute discretion; and

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(viii) approves, authorises and gives



# ENIMONT S.p.A.

Reg. Office: 14, Piazza della Repubblica, Milan - Italy  
Share Capital: 4,250 billion Italian Lire (fully paid up)  
Italian Court: Tribunale di Milano, Registro Imprese, 235555  
Volume: 7492 - Filler 9

## DIVIDEND PAYMENT FOR 1989

Notice is hereby given to Shareholders that the dividend for the 1989 financial year, as resolved upon by the Annual General Meeting of Shareholders on June 19, 1990, is payable from July 16, 1990.

The dividend, subject to any applicable withholding taxes, amounts to Lit. 85.20 per ordinary share.

Upon presentation of the ordinary shares and detachment of coupon No. 1, dividends will be paid at the Company's registered office in Milan, or at any authorized Italian bank, or at the following financial institutions:

Aboard (by appointment of Italian banks according to law):  
Great Britain: National Westminster Bank PLC, Barclays Bank PLC, S.G. Warburg & Co. Ltd. - London;  
West Germany: Deutsche Bank AG, Dresdner Bank AG, Commerzbank - Frankfurt am Main;  
Switzerland: Swiss Bank Corporation - Basel and Zurich, Credit Suisse - Zurich, Union de Banques Suisses - Zurich;  
France: Banque Nationale de Paris, Credit Lyonnais, Banque Paribas, Banque Indosuez - Paris;  
Belgium: Banque Bruxelles Lambert S.A., Kredietbank S.A., Generale Bank - Bruxelles;  
Netherlands: Amsterdam-Rotterdam Bank N.V. - Amsterdam;  
U.S.A.: Citibank NA, Morgan Guaranty Trust Co. - New York.

ENIMONT S.p.A.

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## IMPORTANT NOTICE TO ENIMONT SHAREHOLDERS WHO ARE NON-RESIDENTS OF ITALY WITHHOLDING TAX ON DIVIDEND PAYMENTS

Dear Shareholders,

At the Annual General Meeting of ENIMONT S.p.A. (the "Company"), held on June 19, 1990, the payment of a dividend of Lit. 85.20 per share was approved in respect of those ordinary shares which were offered and issued in 1989.

Shareholders should note that Italian law provides for the withholding of income tax (at a rate of 32.4 per cent) on dividends paid by Italian companies to shareholders who are non-residents of Italy for income tax purposes.

Shareholders are reminded that reduced rates (normally 15 per cent) apply to such non-residents of Italy who are entitled to the benefits of an appropriate double tax convention. Amongst the countries with which Italy has concluded relevant double tax conventions are: all members of the European Community, Switzerland, Sweden, Norway, Finland, Austria, the United States, Canada, Japan, Australia, New Zealand, Argentina and Brazil.

Non-resident shareholders who have not already done so should immediately contact their local tax authorities in order to obtain the necessary documentation to claim the reduced withholding tax in respect of the forthcoming dividend payable by the Company. The completed documentation should then be returned to the bank depository of your ordinary shares.

If you require any further information you may contact the Company's Foreign Tax Department on 39-2-6977-2944.

*Sergio Gragnoli*  
Managing Director ENIMONT S.p.A.

Note: Shareholders who are in any doubt as to their tax position should consult their own independent professional advisers. This notice is issued for information only.

## Notice of Redemption

NOTICE IS HEREBY GIVEN to the Holders of the Three-Year Redeemable Corporate Notes due April 25, 1990 (the "Notes"), issued by ITT Financial N.V. ("Issuer") and guaranteed by ITT Financial Corporation (the "Guarantor") under an Indenture dated as of April 25, 1984 (the "Indenture") between the Issuer, Guarantor and Bankers Trust Company, as Trustee, that the Issuer hereby exercises its option to redeem all outstanding Notes on July 25, 1990 ("Redemption Date").

As of April 25, 1990, there remained outstanding less than \$20,000,000 aggregate principal amount of the Notes. Pursuant to the provisions of the Indenture, the Issuer elects to redeem all of the Notes outstanding on July 25, 1990 at a redemption price of 100 percent (100%) of the principal amount of such Notes plus accrued interest from April 25, 1990 of 9.55% per annum to the Redemption Date.

Payment of the principal amount of the Notes and accrued interest thereon will be payable on and after July 25, 1990, upon presentation and surrender of the Notes and all coupons appertaining thereto which mature after the Redemption Date, at any of the following paying agents:

Bankers Trust Company  
4 Albany Street  
New York, New York 10008  
United States

(Registered Principal & Interest Only)

Bankers Trust Company  
12-14 Bond-Point  
des Champs-Élysées  
75386 Paris, Cedex 08  
France

Bankers Trust Company  
27 Avenue Montefiore  
Luxembourg  
Luxembourg

Bankers Trust Company  
4002 Basle  
Switzerland

No payment of principal or interest shall be made by the Trustee in New York City, or by any other paying agent located in the United States of America, in respect of Bearer Notes.

On and after the Redemption Date interest on the Notes shall cease to accrue and the Notes shall cease to be entitled to any benefit under the Indenture.

W. Gene Gormard  
Managing Director  
ITT FINANCIAL N.V.

June 25, 1990

## IMI Bank (International)

¥10,000,000,000

Floating Rate Guaranteed Notes Due 1993 (the "Notes")

unconditionally guaranteed by

ISTITUTO MOBILIARE ITALIANO

Notice is hereby given that for the interest period from 4th July, 1990 to 4th January, 1991, the Notes will carry an interest rate of 7.05% per annum. Interest payable on 4th January, 1991 will amount to ¥355,397 per ¥10,000,000 Note.

Agent Bank  
The Long-Term Credit Bank of Japan, Limited  
Tokyo

## City of Copenhagen

¥7,000,000,000

Floating Rate Notes Due 1996

Notice is hereby given that the Rate of Interest for the Interest Period from 5th July, 1990 to 5th January, 1991 is 6.94% per annum.

Interest payable on 7th January, 1991 will amount to ¥3,498,521 per ¥100,000,000 principal amount of the Notes.

Agent Bank  
The Long-Term Credit Bank of Japan, Limited  
Tokyo

## GENEVA SWITZERLAND

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7 Rue Mazy, 1207 Geneva

Tel: 736 05 40 Te: 73242

Fax: 736 05 44

## U.S. \$100,000,000 Security Pacific Corporation

Subordinated Floating Rate Notes due 1992

Notice is hereby given that for the interest period from July 5, 1990 to October 5, 1990 the Notes will carry an interest rate of 8% per annum. The coupon amount payable on October 5, 1990 will be U.S. \$2,188.18 per U.S. \$100,000 Note, and U.S. \$218.82 respectively for Notes in denominations of U.S. \$100,000 and U.S. \$10,000.

By: The Chase Manhattan Bank, N.A.  
London, Agent Bank  
July 5, 1990

## HOMES FOR SALE IN LONDON

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Lesley Proctor

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Carol Haney

on 071-873 4935.

Yen 10,000,000,000

MEPC

Metropolitan Estate and Property International N.V.

(Incorporated with limited liability in The Netherlands)

Floating Rate Guaranteed Notes Due 1995

Irrevocably and unconditionally guaranteed by

MEPC plc

(Incorporated with limited liability in England under the Companies Act 1929)

Notice is hereby given that for the interest period from July 5, 1990 to October 5, 1990 the Notes will carry an interest rate of 8% per annum. The amount of interest payable on October 5, 1990 will be Yen 202,847 per Yen 10,000,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.  
London, Agent Bank  
July 5, 1990

CHASE

S.G. Warburg Capital B.V.

U.S. \$200,000,000 Floating Rate Notes 2006

unconditionally and irrevocably guaranteed by

S.G. Warburg Group plc

In accordance with the provisions of the Notes, notice is hereby given that, for the six month period, 5th July, 1990 to 7th January, 1991, the Notes will bear interest at the rate of 8 1/4 per cent. per annum. Coupon No. 9 will therefore be payable on 7th January, 1991 at U.S. \$11,039.90 per coupon from Notes of U.S. \$250,000 nominal and U.S. \$442.40 per coupon from Notes of U.S. \$10,000 nominal.

S.G. Warburg & Co. Ltd.

Agent Bank

## INTERNATIONAL CAPITAL MARKETS

# First German unity issue tightly priced but sells well

By Deborah Hargreaves and Tracy Corrigan

BOND investors' eyes were on the German Bund market yesterday, where the Government launched its first unity bond at a slightly tighter price than traders had expected. The DM100 issue came at a yield in line with 10-year Bunds since it was priced at 101 carrying a coupon of 8% per cent, offering a real yield of 8.59 per cent.

Traders' reaction was that the issue was expensive, but it held at its launch level and was selling well. Domestic investors are enthusiastic buyers of the unity bonds largely for patriotic reasons.

The unity bonds were expected to trade at a premium of 10 to 15 basis points over the 10-year Bund, but they now look increasingly likely to trade in line with Bunds. The premium was expected to compensate for them not being deliverable into the futures contract. But now that the Deutsche Termin-

## GOVERNMENT BONDS

börse has announced they will be included against its contracts, the London International Financial Futures Exchange is expected to amend its March 1991 contract to include unity bonds.

The rush of economic figures that were released in Germany yesterday had little effect on the market.

FRENCH government bonds ended slightly lower yesterday in light of the German figures, although the market may see more ahead of today's FF100 to FF150 Treasury auction of three fixed-rate bonds.

MANY financial institutions in developing countries are providing a yield or return that is highly attractive in relation to the objective risk, says Chartered Weibull, Reuter reports.

In the first issue of its Developing Country Investment Review, CWB says a proliferation of investment opportunities is attracting high returns that have emerged that reflect uncertainties which have to be

assessed country by country. CWB says that uncertainties contained in developing country investment include the experience of the 1980s debt crisis and the underlying possibility that this is not fully resolved.

Also, the novelty of some of the instruments involved means they lack a track record. The review adds that there are general concerns about the depth, sophistication

and price stability of many of the markets.

The bank points out that from the second half of the 1980s, financial liberalisation, structural reform and debt renegotiation have opened markets and created a wide array of instruments.

CWB says that interest in the instruments extends to equities, Eurobonds, structured loans, securitised debt and domestic currency paper.

## BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	10.000	4/93	94.17	+0.432	12.37	12.45	12.48
	10.000	5/95	92.28	+0.132	11.81	11.88	11.85
	9.000	10/98	94.28	+0.432	10.92	10.78	10.58
US TREASURY	8.675	05/00	105.08	+0.032	8.38	8.53	8.43
	8.750	05/20	103.31	+0.032	8.38	8.51	8.42
JAPAN	No 119	4/90	97.0648	+0.381	7.17	7.18	6.80
	No 2	3/07	91.3899	+0.001	6.80	6.72	6.50
GERMANY	7.750	02/00	94.7500	+0.350	8.55	8.73	8.84
FRANCE	BTAN	02/95	96.5828	+0.038	9.93	10.00	9.98
	03/00	93.1800	-0.080	9.59	9.57	9.62	
CANADA	9.750	05/00	94.5000	+0.500	10.68	10.70	10.63
NETHERLANDS	9.000	05/00	101.5500	+0.340	8.75	8.90	8.80
AUSTRALIA	12.000	7/98	93.0433	+0.343	13.35	13.53	13.47

London closing. Yields: Local market standard. Prices: US, UK in \$/100, others in decimal.

Technical Data/ATLAS Price Sources

The German bond market is likely to carry on hogging the limelight. But expectations that the government bond yield spread between France and Germany is to narrow from the current level of 100 basis points could prompt some buying in the French market. But the D-Mark is thought likely to gain ground against the franc, dealers said.

JAPANESE government bonds continued their recent rally yesterday when the yield on the benchmark 119 dropped to 7.16 per cent. Traders expect the bond market to continue to be strong on the back of the firmer yen.

Now that rumours of an increase in the Japanese discount rate have dissipated, there is little in the way of a bond market rally, although traders feel it could be some time before the market breaches the 7 per cent yield level which has proved a key

figure in previous upward movements.

IT was a thin day for gilt-edged securities yesterday. Prices experienced a slight bounce after Tuesday's slide. The market closed 1/4 of a point stronger than on Tuesday, but there was little retail interest.

YIELDS on Australian government bonds have dropped slightly in the past few days, but the market continues to be supported by foreign investors locking into a high-yielding market.

Australian 10-year bonds are currently yielding 13.35 per cent after falling from 13.53 per cent at the end of June. Japanese investors have been strong buyers of Australian bonds in recent weeks, although reports suggest they will push yields below 13% per cent unless the Australian Government reduces its high interest rates.

# LDC investment 'attractive'

MANY financial institutions in developing countries are providing a yield or return that is highly attractive in relation to the objective risk, says Chartered Weibull, Reuter reports.

In the first issue of its Developing Country Investment Review, CWB says a proliferation of investment opportunities is attracting high returns that have emerged that reflect uncertainties which have to be

assessed country by country. CWB says that uncertainties contained in developing country investment include the experience of the 1980s debt crisis and the underlying possibility that this is not fully resolved.

Also, the novelty of some of the instruments involved means they lack a track record. The review adds that there are general concerns about the depth, sophistication

and price stability of many of the markets.

The bank points out that from the second half of the 1980s, financial liberalisation, structural reform and debt renegotiation have opened markets and created a wide array of instruments.

CWB says that interest in the instruments extends to equities, Eurobonds, structured loans, securitised debt and domestic currency paper.

# ISE stays quiet on Goldman and BZW

By Richard Waters

COMPLAINTS of market manipulation on a grand scale continued to swirl around the London stock market yesterday as the International Stock Exchange failed to publish its expected statement exonerating two large securities houses over their actions during a hectic period of trading on Friday.

Goldman Sachs had bid up share prices, and Barclays de Zoete Wedd pushed them lower, as the FT-SE-100 index was being calculated to set the closing contract price for derivatives based on the index. This led to claims that the houses were trying to influence the FT-SE to benefit their derivatives books.

An interim ISE investigation has shown that a large volume of deals took place at the prices the two firms were quoting, suggesting that they had not been set merely to affect the index. However, other officials have suggested that the houses may have been prepared to take losses on share deals to make far larger profits on derivatives.

The ISE did not publish its interim findings, as expected, but is likely to make a statement after a full review of the implications of Friday's market volatility.

## NEWS IN BRIEF

# Orkla issue resurrected

ORKLA Borregaard, the Norwegian industrial and investment group, has revamped an international share issue first mooted for April but postponed as a result of stock-market weakness, writes Our Financial Staff.

The company is offering 2.5m new shares at Nkr230 each to raise Nkr575m (\$90m). The issue is being made through an international banking syndicate led by Kleinwort Benson.

The subscription period lasts until the end of this week. The international issue that Orkla postponed in April was to have consisted of 2.5m B shares.

## Banks link over Canadian unit

NATIONAL Trustco and Mellon Bank are to form a joint-venture company to provide securities transfer services to Canadian corporate clients, Reuter reports.

Reuter estimates that it has a 30 per cent share of the US securities transfer market. National Trustco did not estimate its market share, but said it had more than 1,000 corporate clients.

National Trustco will initially form a Canadian subsidiary and Mellon Bank will provide securities transfer and indenture processing to the subsidiary under a private label processing agreement.

After obtaining regulatory approvals, National Trust and Mellon Bank will form a Canadian company to provide securities transfer services.

## S&P puts Philips N America on watch

STANDARD & Poor's, the US credit-rating agency, has placed on Creditwatch the Single-A senior debt and A-1 commercial paper ratings of North American Philips following the announcement by the Dutch Philips group that it will take a charge of about \$1.4bn in the second half of fiscal 1990, Reuter reports.

"While the magnitude of the charge is expected to have positive effects going forward on cost position and competitiveness, it heightens near-term uncertainties surrounding the extent of operating problems at Philips and its US subsidiary, as well as the efficiency of the measure," S&P said.

S&P will meet management of Philips to determine the impact on ratings.

## VEV seeks FF354m in two-part offer

VITRO-Établissements Vitoux (VEV) plans a two-part issue of common stock and convertible bonds aimed at raising FF354m (\$54m) to help fund growth objectives, Reuter reports from Paris.

The French textile group said that the biggest part of the issue would convert FF354m worth of convertible bonds with a coupon of 7.25 per cent and a maturity of nine years, five months. Each bond will be priced at FF480 and will be convertible into one share of VEV.

The other part of the fund raising covers 435,520 new common shares at a price of FF350 each. Shareholders will have subscription rights on a one-for-four basis.

Financial Times July 5 1990



## INTERNATIONAL CAPITAL MARKETS

## Unilever taps the Swiss market at less than 7%

By Tracy Corrigan

UNILEVER, the Anglo-Dutch household products company, became the first international borrower in the Swiss market this year to issue bonds on a coupon of less than 7 per cent. The coupon for Unilever Capital's Sfr100m issue of seven-year bonds via Union Bank of Switzerland was set at 6 per cent, even lower than the 6 per cent expected by other market participants.

Dealers in Switzerland complained that a 6 per cent coupon was too low. "Unilever is a good triple-A rated company, but it doesn't merit that sort of premium pricing," one syndicate manager said.

## INTERNATIONAL BONDS

Although the lack of supply in the sector is supporting the market, consistently high short-term rates mean that many investors are still content to keep their money on deposit, while others are buying more attractively priced domestic bond issues.

The structure of the Unilever issue as a private placement was also said to have discouraged smaller retail investors.

The issue was swapped into floating-rate dollars at an attractive level below the London interbank offered rate, Swiss bankers complained that

## CGE will raise up to \$200m via US placing

By George Graham in Paris

COMPAGNIE Générale d'Électricité (CGE), the private French telecommunications and heavy engineering group, is to sell between \$150m and \$200m of its stock to US investors in a private placing.

CGE will carry out a series of roadshows in US cities next week and fix the size and price of the placing, which is to be lead managed by Morgan Stanley, at around July 18.

The shares will be drawn from the group's "autocredit" or stock held by its own subsidiaries. CGE's autocredit at the moment is estimated at about 6 per cent of its capital, well within the legal limit of 10 per cent, and will be reduced further by the placing to about 4.5 per cent.

It will, however, have progressively to be reduced further following legislation last year prohibiting autocredit.

CGE is taking advantage of the new Securities and Exchange Commission regulation 144a, which allows companies to place shares with qualified investors, who must be professional investors managing more than \$100m.

The shares will be traded in the US on the Port of Professional Trading system developed by Nasdaq.

The group, which last year more than doubled profits to FF4.94bn (\$890m), will add the proceeds of the placing to the FF5.6bn it raised in April from an issue of convertible bonds.

CGE said then that it would keep the cash in reserve to enable it to take quick advantage of acquisition opportunities.

Recently, however, it has agreed to acquire 1.5 per cent of Alcatel, its telecommunications subsidiary, from the Crédit Lyonnais bank, and 7 per cent from IFT, its US partner, at a combined cost estimated at about \$750m.

On the Paris stock market, CGE shares closed yesterday at FF238, up FF11 on the day.

## Morgan Grenfell takes Third World gamble

Stephen Fidler looks at the UK merchant bank's move further into LDC debt trading

With most international banks doing their utmost to get out of Third World debt, at first sight it seems odd that the British merchant bank Morgan Grenfell should be making a big effort to move more deeply into the business.

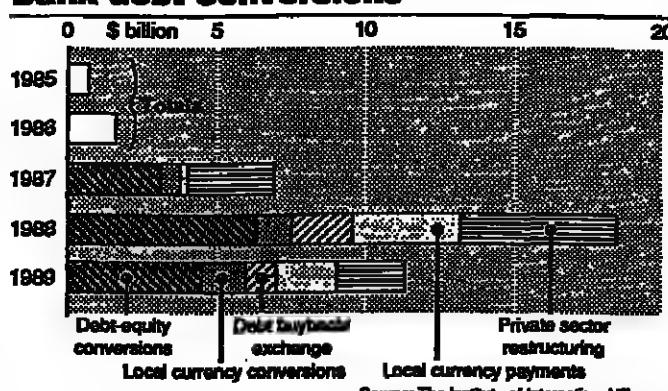
But the bank has taken on much of the Third World debt trading of the Libra Bank, the London-based consortium lender to Latin America liquidated by its shareholders this year. And it is arranging to borrow from its new parent, Deutsche Bank, a Third World loan portfolio of several hundred million dollars to help the group to trade.

Taking on the Libra Bank team, led by Mr Rick Haller, is expected to expand the group's 320-strong banking division by up to 60 people. In London and in Latin America, by the time it is complete at the end of the year, Morgan is employing traders, back-office legal and settlement experts and secretaries.

At Libra, they formed one of the most active groups in the market, trading a face amount of debt equivalent to some \$11.8bn last year. When Libra started to wind down this year, the market's trading volume perceptibly dropped.

In getting back into the Third

## Bank debt conversions



World debt business, Morgan Grenfell has no interest in making new loans to Latin American governments. Its focus is on the growing number of uses to which that debt is being put. Many Third World countries are willing to exchange their foreign debt - at a discount - for local currency which can then be invested locally. This can occur in formal debt-equity swaps or more frequently in informal debt conversions. The technique has controversy, but in essence it involves the use of sovereign debt by multinationals, banks and domestic companies as a vehicle for investment in debtor countries.

Although Libra had one of

the foremost debt trading teams, it had little corporate finance expertise. The money it made was usually out of brokering and taking positions in the market. Morgan Grenfell had a small debt trading team of its own, now merged into the Libra team, but its strengths have been in corporate and project finance, in both Latin America and east Europe. The combination, Morgan Grenfell officials say, is an excellent fit, explaining their aggressive pursuit of a team in demand elsewhere in London.

Mr James Dundas, the Morgan Grenfell director who will be chairman of the new Morgan Grenfell Debt Arbitrage and

Trading unit, says: "We have built up quite a degree of specialised strengths in debt conversions and related corporate finance activities, but so far we have had to do that without access to substantial trading."

Some from Libra have been there for more than a month. Mr Haller, who took over as the new unit's chief executive this week, says: "The essence of a successful LDC trading is having access to final demand, and a lot of that we hope will be provided by the corporate finance team."

The third element of the strategy is likely to be provided by Deutsche Bank in one of the first concrete examples of co-operation between the German bank and its new subsidiary. Deutsche is expected to lend part of its DM5.3bn (\$3.2bn) Third World loan portfolio to Morgan Grenfell's trading team.

A deal has not yet been finalised, but Mr Dundas says "Deutsche has been extremely co-operative."

None the less, he is at pains to point out that the banking giant is providing no subsidy to Morgan Grenfell. This will be an arm's length arrangement.

Neither Morgan Grenfell nor Deutsche is keen to detail the arrangement. It is likely to be a

kind of repurchase agreement involving Latin American and east European assets which will be assigned to Morgan Grenfell. Morgan will undertake to deliver back to Deutsche Bank after a three or six-month period a set of assets similar to that which was lent. The face value of the debt will be less than \$1bn but more than \$100m.

Mr Haller reckons that the loan portfolio is an important element of successful trading in a market which has become concentrated more in the hands of principals and away from those who are merely brokers.

But there is a contrast that some outsiders point out. Whereas at Libra, there was no cost associated with carrying the portfolio for the traders, Morgan Grenfell will be paying Deutsche for the privilege of using it.

Nevertheless, even as brokers, in the six weeks they have been at Morgan Grenfell, the early arrivals from Libra have been involved in 145 to 150 deals and already generated some profit, Mr Haller says.

Outside, the progress of this combination will be looked on with interest. The officials dismiss suggestions that the different styles of Libra and Morgan Grenfell will not fit, but concede that the firm is taking a significant risk.

## Swiss top in underwriting

SWITZERLAND's big three banks grab more underwriting when conditions in the capital markets get tough, says reports from Zurich.

Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse captured 50 per cent of lead undermanagement mandates for franc-denominated bonds in the second quarter of 1990, up from 32 per cent in the same period of 1989.

With short-term Swiss franc interest rates around 9 per cent and the average interest rates on new bonds around 7 per cent, any bank carrying unsold

paper on its books has to make up the difference. That gives Switzerland's biggest three banks the advantage, as their retail networks give them placing power unmatched by foreign banks. The huge balance sheets the Swiss banks maintain at home allow them to carry positions that smaller banks can't afford to carry.

"The first six months were a question of financial muscle and when it comes down to that, there is no way the smaller banks can compete with the big three," a banker said.

## Danish mortgage groups struggle to expand

By Hilary Barnes in Copenhagen

THIS WAS to have been the year when Denmark's bond-insuring mortgage associations came of age, converting to joint stock companies and preparing for rapid diversification into wider financial services markets.

But for the two largest mortgage institutions, Kreditforening Danmark (KD) and Nykredit, both of which have assets well in excess of Dkr300bn (\$48bn), the year has not lived up to expectations.

The third largest mortgage group, Byggesparekassen (BRF), is experiencing a smoother ride. Its conversion to joint stock company status has been completed and this autumn BRF is expected to make a sizeable share issue.

KD and Nykredit have run into trouble with the supervisory authorities. Their difficul-

ties centre on how much of their reserves are free and thus available as equity capital when they become joint stock companies.

Conversion to joint stock status is thus being delayed - ironically at a time when the mortgage groups would welcome the opportunity to tap the capital markets for two reasons.

As the new European Community capital ratio directives come into force, Danish mortgage associations will have roughly to double the ratio of capital to assets from 4 per cent to 8 per cent. With this in mind, they built up substantial free reserves in the 1980s, but were then hit by an abrupt change in the economic climate from 1986 onwards.

Property prices have fallen in real terms by between 20 per

cent and 30 per cent since 1988. A dramatic reduction in the rate of inflation, including the rate at which nominal wages rise, and tougher basic terms for mortgage lending, have also stretched the ability of home owners to meet their mortgage payments.

Mortgage associations hold some 8,000 properties, mainly houses, which they have been forced to reclaim.

The problem has become so pressing that the Government recently passed legislation to give home owners some relief, primarily by an opportunity to convert 20-year mortgages into 30-year ones. The associations have been forced to cut back on costs, notably by shedding staff.

Their latest move is a plan to increase the interest margin between money raised through

bond issues and money lent to mortgagors. This will take place with retroactive effect on mortgages issued up to 30 years ago. The impact on individual householder's costs will not be great, but this is the first time that the associations have been forced to take such a step.

There is no shortage of uncertainty within the industry. In the meantime, KD says that its reserve position is deteriorating so fast that within a year it may have to curtail its normal lending programme.

Deutsche Bank will not consider a new cut in interest rates until it has studied the effects of German economic unification, the central bank said. The bank recently cut key interest rates by half a point, the third reduction this year.

## Schneider closes offer following heavy demand

By George Graham

SCHNEIDER, the French construction and electrical engineering group, has closed its offer of convertible bonds with attached warrants in the face of heavy demand from existing shareholders.

The issue, planned at FF2.6bn, has been extended to FF3.5bn to meet the requirements of shareholders using their priority subscription rights. The offer will not be opened to the public.

Each convertible bond with attached warrant was priced at FF1,300. The bonds carry a coupon of 5.5 per cent. Schneider said that both the FF2.6bn and the domestic tranche, led by Banque Paribas, and the domestic tranche had met success.

## FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS	Wednesday July 4 1990									
	Index	Day's Change	52 Week High	52 Week Low	YTD % Chg	1989 % Chg	1988 % Chg	1987 % Chg	1986 % Chg	1985 % Chg
1 CAPITAL GOODS (196)	684.90	-1.4	13.10	5.25	9.32	19.75	87.43	89.78	90.08	98.39
2 Building Materials (26)	1124.50	-1.5	13.62	5.35	9.07	27.29	114.48	115.15	115.81	118.92
3 Contracting, Construction (36)	1438.73	-1.3	16.79	5.71	7.78	34.92	147.54	147.32	148.18	145.15
4 Electricals (10)	2499.89	-1.1	14.49	5.38	10.71	41.41	251.74	228.79	227.30	227.30
5 Electronics (26)	1825.33	-1.5	10.34	4.41	12.59	26.12	182.66	187.05	187.95	219.63
6 Engineering-Aerospace (8)	469.63	-1.0	13.80	5.01	6.63	9.54	474.52	475.69	476.96	0.00
7 Engineering-General (46)	493.80	-0.6	11.00	5.17	10.17	10.10	496.90	498.68	498.02	0.00
8 Metals and Metal Forming (6)	491.56	-1.0	13.74	6.85	3.12	16.43	495.64	498.68	498.21	511.40
9 Motors (14)	1825.33	-1.5	10.34	4.41	12.59	26.12	182.66	187.05	187.95	219.63
10 Other Industrial Materials (24)	1589.13	-1.1	11.10	5.09	10.39	36.58	1611.53	1619.67	1622.60	1647.38
11 CONSUMER GROUP (178)	1312.46	-0.5	9.32	3.85	13.24	20.52	1319.87	1320.45	1319.70	1257.92
22 Brewers and Distillers (22)	1616.21	-0.4	9.43	3.60	12.74	23.38	1623.32	1623.45	1623.19	1336.46
23 Food Manufacturing (20)	1114.08	-0.5	10.29	4.30	12.03	19.91	1119.26	1120.80	1125.73	1111.12
24 Food Retailing (16)	2545.42	-0.7	11.04	4.65	11.44	33.41	253.37	2542.48	2543.54	2553.05
25 Health and Household (15)	2545.42	-0.7	11.04	4.65	11.44	33.41	253.37	2542.48	2543.54	2553.05
26 Leisure (32)	1504.56	-0.7	9.70	4.10	12.75	24.42	1515.34	1518.68	1522.31	1655.36
31 Packaging & Paper (12)	606.76	-0.2	10.93	5.66	11.27	12.94	607.79	607.23	608.60	567.24
32 Publishing & Printing (16)	9383.78	-0.3	10.60	5.15	11.71	81.93	9395.35	9395.35	9395.35	9395.35
33 Textiles (11)	805.00	-0.2	11.04	4.65	11.44	33.41	805.00	805.00	805.00	805.00
34 Stores (9)	805.00	-0.2	11.04	4.65	11.44	33.41	805.00	805.00	805.00	805.00
35 Textiles (11)	805.00	-0.2	11.04	4.65	11.44	33.41	805.00	805.00	805.00	805.00
40 OTHER GROUPS (146)	1198.87	-0.7	12.05	4.94	11.10	17.19	1207.23	1205.66	1206.49	1113.87
41 Agencies (17)	1727.33	-0.5	7.76	2.21	10.92	15.27	1735.87	1735.64	1732.34	1358.98
42 Chemicals (23)	1277.12	-0.8	11.04	5.19	10.59	31.39	1287.12	1291.06	1291.06	1275.84
43 Conglomerates (15)	2277.80	-0.7	10.93	5.66	11.27	18.95	1464.61	1469.22	1464.61	1469.22
44 Transport (13)	2277.80	-0.7	10.93	5.66	11.27	18.95	1464.61	1469.22	1464.61	1469.22
45 Telephone Networks (2)	1254.99	-1.0	10.69	4.49	12.17	3.78	1267.86	1261.96	1259.11	1053.49
46 Water (10)	1972.82	-0.8	12.06	6.86	6.88	0.00	1985.75	1988.83	1984.92	0.00
47 Miscellaneous (26)	1816.16	-0.4	16.22	4.93	9.49	37.62	1823.17	1841.31	1843.75	1842.96
49 INDUSTRIAL GROUP (488)	1182.43	-0.8	10.71	4.53	11.40	19.89	1191.68	1192.50	1192.62	1190.63
51 Oil & Gas (20)	2298.27	-1.2	12.26	5.37	10.78	46.50	2297.91	2298.01	2298.07	2107.29
52 S&P 500 SHARE INDEX (508)	1276.36	-0.7	10.92	4.64	11.31	22.08	1284.96	1285.98	1286.22	1251.56
61 FINANCIAL GROUP (108)	800.97	-0.3	10.92	4.64	11.31	22.08	800.97	800.97	800.97	790.23
62 Banks (9)	800.97	-0.3	10.92	4.64	11.31	22.08	800.97	800.97	800.97	790.23
63 Insurance (Life) (7)	476.46	-0.5	-	-	-	36.94	483.59	484.49	481.19	1078.80
64 Insurance (Non-Life) (6)	701.18	-0.9	-	-	-	19.43	707.45	709.78	713.11	576.82
65 Insurance (Composite) (6)	1008.38	-0.8	10.60	6.35	15.32	31.64	1016.66	1016.15	1020.62	954.70
66 Merchant Banks (7)	439.43	-0.1	8.90	4.61	10.43	10.76	439.43	437.86	437.86	502.27
67 Trusts (47)	114.71	-0.1	7.40	4.23	10.54	10.54	114.71	114.71	114.71	114.71
68 Other Financial (24)	291.26	-0.6	10.60	6.71	12.25	7.47	293.02	294.99	294.99	319.54
71 Investment Trusts (67)	1215.91	-0.5	-	-	-	15.35	1222.50	1225.16	1220.43	1157.10
91 Overseas Traders (8)	1467.74	-0.8	9.60	6.23	12.45	44.49	1474.97	1466.62	1462.60	1329.33
92 ALL-SHARE INDEX (680)	1162.19	-0.6	-	-	-	21.57	1169.35	1170.25	1172.68	1109.36
FT-SE 100 SHARE INDEX	2355.51	-16.2	2344.81	2252.71	2371.71	2372.01	2374.61	2365.71	2373.51	2162.91

opening index 2346.39; 9 am 2344.34; 10 am 2357.41; 11 am 2353.41; Noon 2355.41; 1 pm 2355.41; 2 pm 2353.41; 3 pm 2354.91; 4 pm 2355.34; 4.10 pm 2355.41; 4.30 pm 2355.41; 5 pm 2355.41; 5.10 pm 2355.41; 5.30 pm 2355.41; 5.50 pm 2355.41; 6 pm 2355.41; 6.10 pm 2355.41; 6.30 pm 2355.41; 6.50 pm 2355.41; 7 pm 2355.41; 7.10 pm 2355.41; 7.30 pm 2355.41; 7.50 pm 2355.41; 8 pm 2355.41; 8.10 pm 2355.41; 8.30 pm 2355.41; 8.50 pm 2355.41; 9 pm 2355.41; 9.10 pm 2355.41; 9.30 pm 2355.41; 9.50 pm 2355.41; 10 pm 2355.41; 10.10 pm 2355.41; 10.30 pm 2355.41; 10.50 pm 2355.41; 11 pm 2355.41; 11.10 pm 2355.41; 11.30 pm 2355.41; 11.50 pm 2355.41; 12 pm 2355.41; 12.10 pm 2355.41; 12.30 pm 2355.41; 12.50 pm 2355.41; 1 pm 2355.41; 1.10 pm 2355.41; 1.30 pm 2355.41; 1.50 pm 2355.41; 2 pm 2355.41; 2.10 pm 2355.41; 2.30 pm 2355.41; 2.50 pm 2355.41; 3 pm 2355.41; 3.10 pm 2355.41; 3.30 pm 2355.41; 3.50 pm 2355.41; 4 pm 2355.41; 4.10 pm 2355.41; 4.30 pm 2355.41; 4.50 pm 2355.41; 5 pm 2355.41; 5.10 pm 2355.41; 5.30 pm 2355.41; 5.50 pm 2355.41; 6 pm 2355.41; 6.10 pm 2355.41; 6.30 pm 2355.41; 6.50 pm 2355.41; 7 pm 2355.41; 7.10 pm 2355.41; 7.30 pm 2355.41; 7.50 pm 2355.41; 8 pm 2355.41; 8.10 pm 2355.41; 8.30 pm 2355.41; 8.50 pm 2355.41; 9 pm 2355.41; 9.10 pm 2355.41; 9.30 pm 2355.41; 9.50 pm 2355.41; 10 pm 2355.41; 10.10 pm 2355.41; 10.30 pm 2355.41; 10.50 pm 2355.41; 11 pm 2355.41; 11.10 pm 2355.41; 11.30 pm 2355.41; 11.50 pm 2355.41; 12 pm 2355.41; 12.10 pm 2355.41; 12.30 pm 2355.41; 12.50 pm 2355.41; 1 pm 2355.41; 1.10 pm 2355.41; 1.30 pm 2355.41; 1.50 pm 2355.41; 2 pm 2355.41; 2.10 pm 2355.41; 2.30 pm 2355.41; 2.



## UK COMPANY NEWS

Poor performance from leisure associate casts shadow over brewer  
**Greene King tops up to £20.1m**

By Philip Rawcliffe

GREENE KING, the East Anglian brewer, yesterday reported pre-tax profits of £20.1m, up 5 per cent and in line with market expectations, for the year ended April 28 1990.

But the strong trading performance was overshadowed by problems at Big R Leisure, its associate which operates roller skating rinks, night clubs and other leisure facilities.

Greene King has written off, as an extraordinary item, the £785,000 after-tax cost of its 35 per cent stake in the company. Mr Simon Redman, chairman, said that Big R, which has debts of £22m, had been "suffering from relatively depressed trading."

Greene King's shares closed 10p down at 370p.

Trading profits from brewing and pub retailing increased by 20 per cent to £18.2m (£15.1m) on turnover of £108.16m (£108.59m).

Total beer sales increased by over 5,500 barrels, and the company, which is buying 87 more pubs in the south-east, has concluded trading arrangements with Bass and Allied-Lyons for the supply of its IPA and Abbot ale brands as guest beers. More than £1m is being spent on advertising the

brands this year. "We intend that Greene King should trade as a tightly focused, vertically integrated brewer, wholesaler and pub retailer throughout the south-east," Mr Redman said.

Continued sluggishness in the East Anglian property market reduced the profit contribution from property disposals from £3.24m last year to £2.56m.

Interest payments rose from £87,000 to £136m.

Earnings per share were up 4 per cent from 32.7p to 34.1p. A final dividend of 6.5p is proposed, increasing the total dividend by 13 per cent to 9.8p.

## COMMENT

After freeing itself from the shadow of the Elders' shareholding, Greene King is a bit unfortunate to find itself now with the overhanging problem of its investment in Big R Leisure. Big R's debts are guaranteed by Greene King but analysts are uncertain whether its charge on assets is enough to cover them. Until Big R's position improves, it is likely to be a drag on the brewer's share price. Greene King's core business, on the other hand, looks solidly based and its growth prospects good. It is expanding its pub estate shrewdly, its ale



Simon Redman: More than £1m is being spent on advertising IPA and Abbot ale brands this year.

brands should do well as guest beers in the unmanicured houses of Bass, Allied and Whitbread. The conversion of its Biggleswade brewery to the production of Harp Lager will contribute increased profits. When property prices improve, the

company will also have a stock of pubs and development land to sell. Analysts are expecting 21 per cent growth in trading profits this year, with pre-tax profits up 7 per cent to about £21.5m, on a prospective p/e of 10.3.

## RUG moves a stage nearer to de-listing

By Andrew Hill

MR ANDREW LLOYD WEBBER is clearly not going to allow his turbulent private life to distract him from the smooth-running of his corporate affairs.

At a special shareholder meeting yesterday, Mr Lloyd Webber latched the curtain down a little further on the public performance of Really Useful Group, his quoted vehicle, despite the backing of Mr Robert Holmes à Court, the Australian financier who owns 6.61 per cent of the company.

The composer has been trying to take RUG private through a £77.4m offer since February, but shortly after the buy-out was launched Mr Holmes à Court started buying RUG shares through Stoll Moss Theatres, a subsidiary of his private vehicle Heytesbury (UK).

At yesterday's poorly-attended meeting in London's Palace Theatre - an RUG asset - Stoll Moss objected to resolutions proposing payments to ex-directors of the company. Mr John Whitney, RUG's managing director, explained that Lord Gorrill, the former chairman, and four directors including the broadcaster and author Mr Melvyn Bragg were being compensated for the extra time they spent valuing RUG before deciding to recommend the Lloyd Webber offer.

Once it became clear that Mr Lloyd Webber was absent, it was obvious that this would be one of the duller dramas to play at the Palace. The composition of the controls over 90 per cent of the shares in RUG, which owns the copyright to his recent musicals, and all five resolutions were duly passed.

But Mr Geoffrey Davies, from Stoll Moss's solicitors, Timmins Salner & Webb, took the opportunity to claim that the compensation payments ranging from £10,000 to £20,000 - should have come out of the composer's pocket rather than the company coffers.

Mr Whitney said it was a company liability, and refused to comment on suggestions that the minority shareholders including about 700 private investors might be represented on RUG's board.

"This meeting is a farce, isn't it?" asked Mr Davies from the audience. "That's for you to judge," retorted Mr Whitney from the stage.

RUG's advisers are still puzzled about Mr Holmes à Court's intentions. "I'm sure he will protect his interests vigorously," said Mr Davies, but admitted that the Australian could not prevent Mr Lloyd Webber delisting the company's shares.

## Daniel Thwaites static at £4.14m

Daniel Thwaites, the brewer, wine merchant and public house operator, shares of which traded under Stock Exchange Rule 54(2), turned in pre-tax profits of £4.14m in the year to end-March, little changed from last year's £4.31m.

The result was struck on turnover up from £51.98m to £58.77m and the tax charge was £1.46m (£1.47m).

The final dividend of 2.2p makes a total for the year of 2.6p (2.5p) on earnings per share reduced to 12.7p (13.5p).

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡US\$ stock. §British currency.

DIVIDENDS ANNOUNCED					
Company	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Brown & Thomas	6.65	Aug 8	6.65	9.5	9.5
Campbell & Arncliffe	3.35	Aug 24	3.3	4.96	4.96
Coca-Cola & F&L	2.4	Oct 1	2.2	3.7	3.3
EPG	1.25	Aug 10	1.25	-	3.5
Pyrites	0.2833	July 31	0.267	-	0.941
Greene King	8.9	Aug 16	8.1	9.8	8.7
Hollis	1.6	Oct 1	1.6	3.2	3.1
North's Wine	10.69	Oct 1	-	10.69	-
Office & Elect	nil	-	nil	0.1	0.1
Shield	nil	Aug 16	nil	nil	1.50†
Siba Finance	0.94	Sept 17	0.72	-	-
Surrey	0.075	Sept 17	-	0.075	-
Unesco	2.24	Oct 14	-	3.615	-
Verdy (Rug)	2.4	Oct 3	-	2.4	-
Westport	0.6	-	1	0.6	1

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡US\$ stock. §British currency.

## PUBLIC WORKS LOAN BOARD RATES

Effective July 4					
Rate		Rate		Rate	
By BPI	By BPI	By BPI	By BPI	By BPI	By BPI
1	13 1/2	13 1/2	13 1/2	14 1/2	13 1/2
Over 1 up to 2	13 1/2	13 1/2	13 1/2	14 1/2	13 1/2
Over 2 up to 3	13 1/2	13 1/2	13 1/2	14 1/2	13 1/2
Over 3 up to 4	13 1/2	13 1/2	13 1/2	14 1/2	13 1/2
Over 4 up to 5	13 1/2	13 1/2	13 1/2	14 1/2	13 1/2
Over 5 up to 6	13 1/2	13 1/2	13 1/2	14 1/2	13 1/2
Over 6 up to 7	13 1/2	13 1/2	13 1/2	14 1/2	13 1/2
Over 7 up to 8	13 1/2	13 1/2	13 1/2	14 1/2	13 1/2
Over 8 up to 9	13 1/2	13 1/2	13 1/2	14 1/2	13 1/2
Over 9 up to 10	13 1/2	13 1/2	13 1/2	14 1/2	13 1/2
Over 10 up to 15	13 1/2	13 1/2	13 1/2	14 1/2	13 1/2
Over 15 up to 25	13 1/2	13 1/2	13 1/2	14 1/2	13 1/2
Over 25	13 1/2	13 1/2	13 1/2	14 1/2	13 1/2

\*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. ‡Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). §With half-yearly payments of interest only.

## It's all over bar the haggling for Globe investors

WILL they? Won't they? As the £11.1bn bid for Globe Investment Trust heads towards its final close on Monday the question of whether the British Coal pension funds secure control of their target is still unanswered.

The past few days have certainly been more helpful to the bidder. Trading volume in Globe shares, which last week averaged around 2.5m shares a day, has reached 1.6m, 3.1m and then 11m over the past three trading sessions.

Purchases made in yesterday's downturned market can only be estimated, but the pension funds probably owned around 44 per cent of their target by the close.

To this should be added a small level of acceptance, 1.5 per cent was the last declared figure, although some shares may subsequently have passed through the market.

That said, the big shareholders - who include the Prudential, Pearl, Postel, Equitable Life and Save & Prosper - have generally stayed put so far. Moreover, the last two have indicated publicly that, in the absence of a sharp market fall or a change of control, they are unlikely to be sellers.

Globe, meanwhile, guestimates that over 90 per cent of its 42,000 small shareholders remain loyal to date - although the bidder begs to disagree.

In short, as one participant puts it, "this battle is going all the way to the wire". For the past two weeks, the underlying issue on which the outcome will be decided has been plain. Price is the key, and the vicious campaign - which embraced everything from issues of wider share ownership to the future of the investment trust industry - has abated.

The arguments, therefore, are relatively straightforward, even if the sums are not. Both sides are willing to start from Datamatrix's estimate of net asset value, which stood at around 215p a share yesterday afternoon. This adopts Globe's audited revaluation of its unquoted portfolio and allows for the recent uplift

in the value of the Reedpack stake. It also assumes the write-off of Globe's British & Commonwealth holding. Both parties also add in 0.5p for the surplus on dealing investments and properties.

The bidder then deducts an estimated 1.4p for Globe bid costs, to give around 214.1p. That compares with an offer price of 205p, representing a discount of 4.3 per cent.

Globe, by contrast, adds back the 4p a share final dividend, which will not be paid out if British Coal wins. It also includes 3.1p a share for its fund management operations

Now all the campaigning has abated, the key to the future of Globe investment Trust now depends on one thing - the price, writes Nikki Tait

and 3.4p for the value to the trust of its debenture stock. The figure then tops the 280p-a-share mark, and the discount provided by the bid price is well over 10 per cent.

Analysts, and some institutions, seem to hover between the two sums. But even if allowance is only made for the dividend, part of the fund management companies' value, and the estimated bid costs, the net effect is a discount of 6.7 per cent.

That is on the mean side; usually taken out at discounts of 5 per cent or less. And this fact clearly sticks in some institutional investors' gullets. "It might be wrong in the short-term to stay put, but I wouldn't want a precedent set," comments one fund manager with extensive trust holdings, although only a small stake in Globe.

Among the larger institutions, the Pearl - another significant investor in the sector - concurs with this sort of thinking. It has yet to decide on Globe, but suggests that 5

per cent "isn't a bad ball-park" for an acceptable exit discount.

The painful reminder of the Industrial & General adds TR to this mill. The £560m trust was secured by the pension funds on an 8 per cent discount in 1988 after institutional investors panicked and many have encouraged the funds to think that Globe could be picked off at a similar price.

Moreover, the City knows that BCFP has used investment trusts as a cheap and performance-hedging route into the equity market before; presumably, it may do so in the future.

Small shareholders - less interested in setting guidelines for predatory action in the sector - may view the matter slightly differently. What they need to weigh up are the various scenarios should the Coal funds fall tantalisingly short of control.

The possible upside is that the Coal funds come back in a year with more attractive terms, or that some form of reconstruction/change in investment policy is worked out.

These are matters on which neither side will comment, although BCFP does argue that, had a reconstruction been attractive, Globe would probably have played this card already.

The downside is the "treeping control" scenario - whereby BCFP adds 2 per cent to its stake each year, and gains control without a new bid. That, however, is dismissed as unlikely by Globe, and some analysts, at least, counter.

Such behaviour would incur the wrath of other institutions; as one pundit puts it, "After TRIG, I think they'll have to play it straight". The final question is whether institutions will become "panic" sellers before the bidder reaches the 50 per cent mark.

If the City seems victory, there is a possibility that they will seek to bail out for cash, rather than accept the offer and wait for payment in a few weeks' time. The "herd" has not charged yet, but there are still three days to go.

## Yellowhammer director resigns from main board

By Alice Rawsthorn

ONE OF the directors of Yellowhammer, the troubled advertising agency, yesterday resigned from the main board. The resignation of Mr Sara Pearson, who has left the main board but will continue to work within the group, comes only a few days after the departure of Mr Les Hewitt, the former media director of its main London advertising agency.

Yellowhammer, which was due to publish its preliminary results last month, has suffered severely from the slump in the UK advertising industry. A few months ago it warned shareholders that it would fall into losses of £3.6m in the year to March 31.

Mr Jon Summerill, chairman, said Mr Pearson had left the board to concentrate on her role as managing director of SPA, the public relations consultancy.

Mr Summerill said Mr Pearson's resignation was "completely unconnected" with Mr Hewitt's departure. Mr Hewitt, who was on the board of the London agency, had left "with

a generous settlement" as part of the rationalisation of the agency.

Yellowhammer has been rationalising its operations since the start of the year. The workforce of the London agency has been reduced by 20 to 180. The group has also cut costs by merging or closing poorly performing subsidiaries, including its Spanish and French agencies.

Mr Summerill squashed City speculation that Yellowhammer - which has heavy debts - was under pressure from its bank. He said the bank was "not exactly relaxed" but Yellowhammer was operating within its overdraft limits. The preliminary results would be published "once the auditors have signed them off in 10 or 12 days."

Yellowhammer has been shrouded by bid speculation for several months. Woolmans Moira Gaskin O'Malley, a privately owned London agency, disclosed a sizable minority stake shortly after the profits warning in March.

## Hearts backers strike at Hibs club defenders

By Claire Pearson

SUPPORTERS of Heart of Midlothian Football Club's £5.1m contested bid for Edinburgh Hibernian yesterday launched a strong attack against the owner of the Scottish Premier League club.

Two directors of Hibs who have broken ranks to support Heart's offensive, Mr David Rowland, deputy chairman, and Mr Jeremy James, a director, described as "wholly irresponsible" a defence document put out last Friday.

"They claimed that a forecast of the loss for the year to end-July made last week by Hibs was 'seriously misleading'. It was not made clear that the £2.4m figure was based on the assumption that £1.5m would be realised by the sale of players. If that failed to happen, the figure would be £4m."

Meanwhile, Hibs announced it had succeeded in obtaining a court order freezing 25 per cent of its shares where replies to Section 212 notices had proved unsatisfactory. It also urged shareholders to continue to reject Heart's offer.

## Telegraph owner buys 10% Trinity stake

By Raymond Snoddy

MR CONRAD BLACK, the Canadian publisher of the Daily Telegraph, has built up his first stake in Britain's regional press - a 10 per cent holding in Trinity International, publisher of the Liverpool Daily Post and Echo, Trinity, the Chester-based group which also has paper and packaging manufacturing interests, said yesterday that it had been informed by a director of Hollinger, Mr Black's main holding company, that the stake had been built up through nominee accounts.

The share buying began late last year and Trinity said an analysis of its share register showed that Mercury Asset Management Group had accumulated a stake of about 10 per cent in the company. The analysis also turned up further shares held through

nominee accounts where the ultimate ownership was unknown.

Last year Hollinger built up a stake, now 9 per cent, in United Newspapers, publisher of the Daily and Sunday Express, in a similar way through nominees.

If Mr Black's ultimate aim is to take control of Trinity he has a very difficult task on his hands. Since 1904 when the company was first incorporated, control has rested with only 12 voting shares held by executive directors.

The share structure of the closed company was designed by the then owners of the Liberal newspaper group to fend off any unwanted attentions from predatory Tory press barons.

Trinity is just as keen to

retain the company's independence today.

Mr Liam Corrigan, group development manager said he had "absolutely no idea" why Mr Black had bought the stake.

"He obviously knows our company through Canada and the UK. Perhaps he sees us as an undervalued share, which we are," Mr Corrigan said.

In May, Trinity bought a small Canadian paper, The Richmond Review, from Mr Black. Earlier this year the Chester company paid about £2m for two free and one paid-for local newspapers in the Vancouver area.

Its Canadian newspaper interests include a string of weeklies in British Columbia with a total weekly circulation of 600,000 and a daily in Red Deer, Alberta.

It was soon after the

purchase of the Richmond Review that the Hollinger share purchase was disclosed.

In all 5.6m shares are believed to have been bought by Hollinger at prices ranging from 170p to 200p.

Trinity, which has a small stake in British Satellite Broadcasting, is capitalised at about £100m and made pre-tax profits of £17.5m on turnover of £118.6m in the year to December.

By instinct and record Mr Black is the sort of businessman who likes to control things. The only way he could get influence over the 12 men with the voting shares would be to take such a large equity stake in the company that he could not be ignored.

Mr Black was not available for comment yesterday.

## ANOTHER BUSY WEEK AT SAMUEL MONTAGU...

Monday 18th June

Announced and underwrote £22 million rights issue for Sketchley.

Tuesday 19th June

Together with Düsseldorf office of Trinkaus Montagu GmbH, advised British Steel on the acquisition of Klöckner-Werke's sectional steel division at Troisdorf in West Germany

Wednesday 20th June

Completed the £23 million acquisition by Lloyds Chemists of the Cross Herbert chain of chemist stores, largely financed by successful £13 million share offer.

Thursday 21st June

Following appointment as adviser to Tarmac Properties Limited, underwrote £12 million facility to assist funding part of 142 acre former BRFL site at Swindon.

Together with the Corporate Finance team at Midland Bank S.A. Paris, advised Pinault S.A. on the sale of Chapelle-Darblay to Kymmene Oy for FFr 1.32 billion.

Friday 22nd June

Completed loan financing for the acquisition of Hotel des Indes in The Hague by Intercontinental Hotels.

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£200,000,000  
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2nd July, 1990

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## UK COMPANY NEWS

## Monument plans £29m cash call

By Eileen Butler

MONUMENT Oil and Gas, the fast-growing independent oil company, yesterday announced a £28.75m rights issue and plans to acquire, for £20.01m in shares, the oil and gas assets of Nimex Resources, the private company which has a 40.2 per cent stake in Monument.

Monument is offering its shareholders seven shares at 87p each for every 25 shares held. The shares yesterday closed off 2p at 44p.

Nimex has agreed not to take up its entitlement of shares, which are to be cancelled. This will maintain Monument's shareholding in Monument at 40.2 per cent after the issue of 54m shares to pay for the oil and gas assets. Thus, in

effect Nimex is paying for its entitlement under the rights issue with assets rather than cash.

The assets will expand Monument's activities beyond the UK and include acreage in Malaysia, Thailand, Burma, the Philippines, Australia, Pakistan, Egypt, and the East China Sea. This includes some discoveries under appraisal.

Mr Tony Craven Walker, who will formally become chief executive at Monument, said Nimex had always intended to merge the two companies' assets, but that Monument was initially too small to contemplate exposure to the higher risks of international exploration.

"We are trying to build for the late 1990s," he said.

Proceeds from the rights issue will be used to fund an expanded exploration programme and to increase the size of Monument's exploration portfolio. Monument has also raised £7.8m from disposing of its interests in the Bruce and Keith fields to Total Oil Marine, part of the French oil group.

Monument said yesterday that it had made eight oil or gas discoveries in its first nine wells drilled this year. This includes a gas discovery in block 110/13, in which Monument has a 25 per cent interest, which tested at 70m cu ft a day.

The deal will strip Nimex of its oil assets and the management teams at the two companies will be merged under Mr Craven Walker's leadership. Miss Liz Airey will become Monument finance director, while Mr Jim Hornbrook will be appointed exploration director.

Monument shares, which previously traded on the Unlisted Securities Market, are to join the main market.

The oil assets acquired by Monument in the deal were valued at £29.56m (£16.5m) by Scott Pickford, a firm of independent consultants. County NatWest Wood Mackenzie has underwritten the rights issue.

## Hogg seeks £14.6m for further acquisitions

By Jane Fuller

HOGG GROUP, the insurance broker which has made 29 acquisitions in 4½ years, is raising £14.6m via a rights issue to fund further purchases.

The shopping list includes parts of the British & Commonwealth insurance broking operation, which is being sold off by the administrators.

The 1-for-5 issue of 10.1m new shares is priced at 150p, compared with yesterday's close of 175p, down 5p after the announcement.

The group, which last year made pre-tax profits of £13.6m on sales of £58.9m, has about half its business in the UK and most of the rest in the US.

Mr James Vaughn, chairman, said a number of acquisitions were in the pipeline and rather than repeatedly making tender placements it was thought better to have one large issue.

Initially, the proceeds would reduce debt - issues totalled £23m - but that was not the main reason for the move. Interest payments had been covered about six times by last year's operating profit.

The group did, however, have very low net assets because of writing off goodwill on acquisitions.

Mr Peter Davidson, finance director, said: "If we want to do another five or six acquisitions in the next 10 months and we borrowed all the money to do it, we would be worried about debt. Because of that and because of the balance sheet we want to do the deal for shares."

Although the UK retail insurance business remained difficult, it only constituted 15 per cent of group business. Other areas were buoyant and the UK wholesale market was improving.

The group expected to be able to increase the total dividend for this year by just over 10 per cent to 8p on the enlarged share capital.

The rights issue has been underwritten by NM Rothschild & Sons and UBS Phillips & Drew Securities, which is the broker to the issue.

## Northumbrian keeps project costs down and achieves £10m

By Claire Pearson

NORTHUMBRIAN Water yesterday gave an encouraging signal about cost controls in the privatised water industry when it revealed it had under-spent its budget for capital projects by 8 per cent during the year to end-March.

Northumbrian spent £66m against an expected £71m. Mr Mike Murden, managing director, said only about 5m of the difference arose from spending carried over into the current year. The rest was cost-saving.

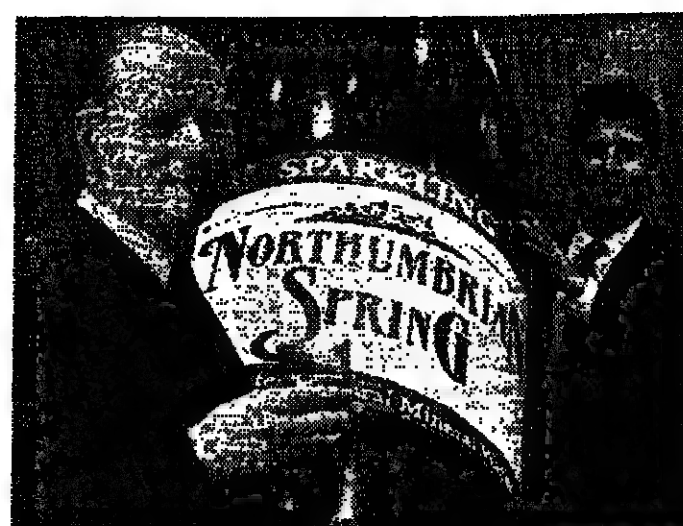
The statement came as Northumbrian announced pre-tax profits for the year of £10m, against the £5.5m promised in the prospectus. It made £10.1m in 1988-89. On a pro forma basis, assuming the new capital structure had been in place since the start of the year, it made £4.5m more than forecast at £5.6m before tax.

Northumbrian plans to spend about £100m on capital projects this year, and about £550m over a five-year period.

Mr Murden also said that Northumbrian, which enjoys abundant supplies from the Kielder reservoir, could guarantee that it would not have to impose restrictions on water use for the rest of the year.

A dividend of 10.65p is recommended, in line with the December prospectus. Pro forma the payment is 16.04p with earnings per share of 73.3p. Turnover rose to £150.5m (£141.7m).

Mr Murden said Northumbrian's scheme to move into waste management had currently been blocked with planning applications for two treatment plants having been turned down. It was appealing



Sir Michael Straker, chairman, (left) and Mike Murden, managing director: "We've got off to a good start"

against those decisions. Northumbrian has also made a move into cable television through an option to buy shares in a venture which has just won a franchise in the Wear area.

Mr Murden said Northumbrian was now on friendly terms with Lyonnaise des Eaux, the French company which owns two of the private water companies in the area, Newcastle and Gateshead and Sunderland and South Shields.

**COMMENT**  
Just how far the market has discounted the Government's anti-merger stance on the water industry was demonstrated yesterday when Mr Nicholas Ridley announced a decision effectively to block

Generale des Eaux from bidding for Mid-Kent Water. The water sector nevertheless strongly outperformed a falling market and Northumbrian, where a very strong initial share price performance last December was partly powered by speculation about the intentions of Lyonnaise, was up there with the rest of them. Back to business: it is a peculiarity of privatisation restructuring that Northumbrian's pre-tax profits will be lower this year than last at about £4m. But that is no reflection on the management, where the news on how capital expenditure was handled last year yesterday only enhanced a good reputation. The shares are sound value on a prospective yield of nearly 8 per cent.

## Verson to halve gearing with £10m rights issue

By Charles Leadbeater, Industrial Editor

VERSON International, the West Midlands-based machinery maker, yesterday unveiled plans for a £10m rights issue.

Mr Tim Kelleher, chairman and chief executive, said the issue, which will halve gearing to close to 53 per cent, will give the group the flexibility to make further acquisitions in the next 12 months.

The board and the two venture capital organisations which have been backing the management and own about 63 per cent of the equity have

agreed to waive their rights to the issue. Their stake has been pre-placed at a premium with institutional investors at a price of 43.5p.

The institutions are underwriting the remainder of the two-for-seven issue, which is being made at 40p, about a 15 per cent discount to the market.

According to the annual report released with details of the rights issue, Verson's order book has risen from £20m to £34m since May.

## Helene's £2.6m rights to fund sales expansion

By Jane Fuller

HELENE, the clothing maker and textile merchant, has announced a £2.6m rights issue to fund its expansion.

The company plans to offer 14.4m new shares at 20p each on a 1-for-4 basis. The share price shed 1p yesterday to close at 24p.

Mr Monty Burkeman, chairman and joint managing director, said the company's sales had grown by 50 per cent last year to £62m - the pre-tax profit was £4.1m. In the first five months of this year turn-

over was 22 per cent ahead of the comparable period. "We need to finance it," he said.

Mr Burkeman explained that Helene needed to have the capacity to get orders ready for its retail customers, who would have arranged to take delivery at any time over a three-month period.

The issue has been fully underwritten by Allied Provincial Securities.

Helene had also arranged a \$5m unsecured term loan with National Westminster.

## TPS warms to £16m Swiss bid

By William Dullforce in Geneva

SOCIETE GENERALE de Surveillance, the Swiss group which is the world leader in inspection and testing services, yesterday announced a £15.6m recommended cash offer for Technology Project Services, the UK engineering personnel services company.

SGS, which is offering 82p for each TPS share, said it has received a favourable response from institutional and management shareholders representing 60.09 per cent of the total capital.

The Swiss group said it was paying 14 times the 1989 earnings of TPS.

The UK company, which in

1989 achieved turnover of £14.1m, supplies consultants, engineering and technical staff on a contract basis to UK and European companies, principally in the telecommunications and electronics sectors.

The offer price compares with the 330p paid just before trading was suspended in TPS shares on Tuesday. It represents a premium of 20 per cent over the price at which the shares were trading in March, when TPS announced that Mr Richard Avery, its chairman, was discussing the sale of his 29.8 per cent stake, which might lead to an offer

for the whole company.

The premium above the price prevailing in December, before newspaper speculation about a sale started, is 55 per cent.

As an alternative to the cash offer TPS shareholders can choose to take loan notes of the same nominal value issued by SGS (UK), carrying interest at a floating rate of 1 per cent below the six-month Libor.

SGS, active in some 140 countries, last year reported a 25 per cent increase to Sfr155m (£82.5m) in net consolidated earnings on revenues of Sfr1.95bn.

## Former BAA chief receives £221,000 compensation

Mr Jeremy Marshall, who resigned last year as chief executive of BAA, the former British Airports Authority, received £221,000 in compensation, according to the group's annual report.

The resignation followed differences with Sir Norman Payne, BAA's chairman, over the future direction of the company. His recently appointed successor is Sir John Egan, former chairman of Jaguar.

Sir Norman this year received a 28 per cent pay rise worth £72,000, taking his annual salary to £330,000. Last month BAA announced a 29 per increase in pre-tax profits for the year to March 31.

## Colefax and Fowler up 48% to £4m

COLEFAX AND Fowler Group, the wallpaper, fabric and furniture company, yesterday transcended the gloom prevalent in the retail sector by unveiling a 48 per cent advance in annual profits.

The rise - from £2.71m to £4.01m - reflected an increased contribution from overseas, and was achieved on sales ahead 61 per cent to £30.73m, 48 per cent of which were generated outside the UK. Colefax's overseas exposure and its concentration on the

higher end of the market serve to insulate it from the current malaise in UK consumer spending.

Some 80 per cent of total sales come from the product division where, helped by new collections, the Colefax and Fowler brand lifted trade sales by 24 per cent.

Sales in the US and Australia rose by 15 and 16 per cent respectively, while export sales to other areas, mainly Europe, advanced 23 per cent.

The group's seven retail out-

lets in the UK accounted for 10 per cent of sales. Mr David Green, chairman, said that while the operation had performed well he did not anticipate growth "in the current economic climate".

Colefax's decorating division had "an excellent year" he stated. The division, accounted for about 20 per cent of sales. Earnings per share, aided by a reduced tax charge, expanded to 13.4p (11.5p). A recommended final dividend of 2.4p lifts the total to 3.7p (3.3p).

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## UK COMPANY NEWS

## Brown &amp; Tawse falls 37% on 'mirror image' trading

By Jane Fuller

BROWN & TAWSE Group, a distributor of steel and pipeline products, has blamed the appearance of a mirror image of one of its subsidiaries for a substantial part of a 37 per cent fall in pre-tax profit.

Mr Gil Black, chairman, said Stauff Group, a hose distributor, had gone from an operating profit last year of about £1.6m into losses of roughly £500,000. He alleged that this followed the setting up of an organisation that mirrored its activities.

He claimed that the rival grouping involved Mr Adrian Sanderson, the former managing director of Stauff who left in June last year. About 30 managers and staff had defected to the new organisation, he said.

Brown & Tawse had taken court action in pursuit of a claim that Mr Sanderson had been in breach of a non-competition agreement. Mr John Rolph, finance director, said injunctions had been obtained in February against trading by Mr Sanderson and by a company called Boldline Products, based in Rotherham,

which had since gone into liquidation. The case was expected to be heard in the autumn.

The Stauff factor was part of a £3.6m slide to £5.03m in Brown & Tawse's pre-tax profit for the year to March 31. Turnover advanced to £187.5m (£165.4m).

Because of shares issued to help fund the purchase of Jay Fasteners in April 1989, earnings per share fell by 40 per cent to 15p (£1.5p).

The final dividend has, however, been held at 6.5p for an unchanged total of 9.5p.

The share price shed 5p yesterday to close at 123p. A profit warning in April had already knocked it back by 33p.

The special products group, which includes Stauff, saw operating profit decrease from £5.19m to £3.39m on sales of £62.46m (£52.5m). A loss was also made by P J Holloway, which distributes heating and ventilation equipment.

The core business, Brown & Tawse Ltd, which sells tubes and pipeline equipment, increased its operating profit to £6.71m (£6.28m) on sales of

£125.1m (£112.98m).

Interest charges more than doubled to £4.07m (£1.67m) and gearing stood at 58 per cent.

Mr Black said business and property disposals were being considered.

**COMMENT**

The worry with Brown & Tawse is that it had a disappointing year when commercial construction, a key area of custom, was still buoyant. So what happens when the slow-down in building reaches this sector, as some companies have already noticed happening? The situation seems to be that as the bad bits - Stauff and Holloway - improve, the good areas will start to deteriorate. Debt reduction will also be a key factor, with Holloway as one of the candidates for disposal. If pre-tax profit can be maintained at 58m, the prospective multiple is 10 - far from cheap. The rating is supported by a prospective yield of more than 10 per cent, and optimists might throw in recovery potential and speculative possibilities.

## More bitter pills for Berisford shareholders

Clare Pearson asks if Sclater has managed to clear all the skeletons in the cupboard?

THIS MORNING Mr John Sclater will make his first report as executive chairman of Berisford International, the troubled sugar and property group for which Tate & Lyle, the sweeteners group, dropped a contemplated bid earlier this week.

It will look horrible: there will be no interim dividend, and coming on top of large sums set aside in previous years, there will be extra provisions of close to £165m, mainly in respect of Berisford's ill-fated venture into New York property.

Depending on what is taken above or below the line, the pre-tax figure will be about £20m, compared with the previous figure of £34.4m, after £14.2m exceptional items.

Mr Sclater, the former non-executive director who took over as chairman after Mr Ephraim Margulies resigned in March, is expected to accompany the figures with pages of explanatory detail. These will cover, for instance, how the valuations of the properties are arrived at and how balance-sheet net debt of about £10m is made up.



Garry Weston: keen to get some answers

ated British Foods, the milling and baking group left with a 23.2 per cent stake after an aborted bid 2½ years ago.

Mr Weston said last month he would have to consider writing-down the value of his holding if Berisford disclosed substantial extra provisions in these figures.

The announcement comes during a week in which Tate & Lyle's surprise withdrawal, which came after the Monopolies and Mergers Commission had started investigating a merger of its UK sugar interests with Berisford's British Sugar, has fuelled the worst fears about the company.

This is because, in what some people saw as an unnecessarily complicated statement, it made ominous reference to concerns about the "value and status" of Berisford's non-sugar assets.

But Tate will have thrown

considerations of its own into the equation as well. In relation to its size, Berisford was a massive bite to swallow and Tate is already nearly 100 per cent geared. The difficulties of financing the purchase may have loomed larger in its calculations than it publicly admitted.

A big priority with Tate was also that of preserving the profitability of its existing cane sugar interests. Valuable aid from the EC to compensate for the disadvantages of cane sugar refining as against beet was hard won by the company.

This could have been put at risk were it to obtain a virtual monopoly of the UK sugar market by acquiring the best British Sugar as well.

This concern has also made Tate exceedingly anxious to maintain a whiter-than-white reputation. That appears to be the reason why it accom-

panied its Monday announcement with an intriguing revelation: that it had uncovered marketing practices that might "contravene competition laws" within its UK sugar subsidiary.

Though they are presumed to involve price collusion, the nature and scope of these "practices" is at present a complete mystery. Tate will say nothing while it conducts an internal investigation, except that it has paid a "courtesy visit" to the Office of Fair Trading to notify it.

Although Tate has not said so, it is presumed British Sugar is the only party with which such collusion could have gone on. However, Berisford has been indicating it does not know what Tate is talking about.

The matter could be quite minor, but nevertheless important both in the reasoning behind Tate's dropping

the bid and the moment it chose to do so.

It would have been anxious to "clean up" as soon as it had detected the practices, less than two weeks ago. It may also have received hints about any view the MMC might have taken of such goings-on.

On whatever scale, they are not likely to make a big impact on Tate as a group, where Tate & Lyle Sugars accounts for only 15 per cent of profits.

But there is speculation that the matter could be more significant for Berisford, for which British Sugar - which is still headed by the highly regarded Mr Peter Jacobs, part of Mr Margulies' old team - is the only big profit earner.

All in all, Mr Sclater will be bracing himself for some tough questioning, not least from Mr Weston's camp. ABF has flexed its muscles in the past, holding orchestras of shareholders unready that finally led to the departure of Mr Margulies and others.

Indeed, many are hoping ABF will take on a new role. In the wake of Tate's statement, Berisford stressed it was talking to other potential bidders, but these suitors have yet to make themselves known.

ABF, meanwhile, stands out as the only company ever to have obtained clearance to acquire British Sugar before it dropped an offer following the 1987 stock market crash.

But so far, while expressing continued interest in British Sugar, ABF has failed to renew the bid. The market is wondering whether what emerges today will make it think again.

## Enlarged Reg Vardy up 17%

REG VARDY has been busy using the £2.2m proceeds of its flotation to expand and ended the year to April 30 with two Ford dealerships added to its stable, a Vauxhall dealership and agreement to acquire a BMW dealer.

Taxable profits of the multi-franchised motor group, which joined the main market last

October, rose 17 per cent from £2.1m to £2.44m on sales up 33 per cent to £126.61m.

Two of the acquisitions take the north of England-based company down south; one of the Ford dealers is in Reading and the BMW dealer is at Bromley, Kent. The consideration for the latter is about £1.5m cash. Other acquisition

possibilities are under review. Earnings rose to 11p (10.5p) and a dividend of 2.4p is recommended for the year.

The company is being reorganised into three divisions: specialist cars, volume cars and Anchor Ford, the latter reflecting Ford's request for a different name for Vardy's Ford group.

## Hollas Group suffers in second half

"I HAVE NEVER before experienced such a rapid deterioration in what were already very difficult trading conditions when I made my interim statement six months ago," said Mr Tony Lawson, chairman of Hollas Group, in announcing reduced profits for the year ended March 31 1990.

At the halfway stage this textile and leisurewear group had lifted pre-tax profit by £298,000 to £1.44m. The second half, however, saw a fall of £274,000 to leave the year's total at £2.17m (£2.03m) from turnover of £57.6m (£49.54m).

"We have pared down everything we can without destroying the fabric of the good companies which we own, and we are constantly seeking ways of improving our performance," Mr Lawson said.

Hawthorn Sportswear, the retail division acquired about 18 months ago, had not been able to avoid the results of the

public's restricted spending powers, and financing costs of high, inherited, stock and commitment levels had eroded profit expectations.

"Nevertheless, we are very satisfied with the acquisition," Mr Lawson said.

Earnings in the year came to 3.6p (6.6p) per share. The final dividend is again 1.5p to make 3.2p (3.1p).

**Surrey beats prospectus forecast**

Surrey Group, the licensed bookmaker which came to the USM in December, yesterday unveiled taxable profits of £286,000 for the year to March 31, £46,000 above the prospectus forecast.

The outcome, achieved on turnover of £21.31m (£17.23m), compared with profits of £245,000 last time. It comprised £651,000 from bookmaking operations and £235,000 from property disposals.

At the time of the flotation, Surrey operated 34 betting offices. Since the year-end, that number has increased to 42, and Mr Bob Green, chairman, said the aim was to double that

during the current 12 months. Earnings per 5p share emerged at 1.15p, against the forecast of 1.06p and 0.9p last time. A maiden dividend of 0.70p is proposed.

**Boscombe Property reaches £74,000**

Boscombe Property increased pre-tax profits from £52,275 to £73,780 in the year to March 31. However, earnings per share were lower at 8.52p (8.14p) and directors said there would be no final dividend as the continuing maintenance programme at San Remo Towers had again hit profits.

Gross rental income amounted to £254,910 (£274,374) and investment income was £1,338 (£12,765).

**Aircraft refuelling arm bolsters Umeco**

A strong performance by its aircraft refuelling subsidiary helped Umeco increase taxable profits by 21 per cent from £541,000 to £773,000 in the year to March 31.

Sales of the USM-quoted

company, which also distributes seals and sealants and other components for the aerospace industry, rose 17 per cent from £9.5m to £11.07m.

Umeco said yesterday that Fluid Transfer had lifted pre-tax profits by 30 per cent and its other subsidiaries, Pattinson and B&K, had both benefited from the buoyant market in the civil aviation sector.

A final dividend of 2.94p is proposed, making a total of 3.81p on earnings of 9.9p (9p) per share.

**Interest charges pull down EFG**

Without the exceptional property surplus and allowing for higher interest charges, EFG, the forestry and garden products group, saw pre-tax profit fall from £1.24m to £495,000 in the half year ended April 1.

Turnover rose to £25.4m (£18.5m) and the operating profit to £370,000 (£230,000). Interest charges were £267,000 (£85,000).

Lord Rees, chairman, said the difficulties facing commercial forestry and the likelihood of continuing high interest

rates would affect the full results. Garden leisure activities continued to perform satisfactorily and results of the horticultural side were up to expectations.

Earnings dropped from 7.4p to 2.31p, but the interim dividend is held at 1.25p.

**Increased overheads warning by Shoprite**

Shoprite Group, formerly Isle of Man Enterprises, reported an 8 per cent increase from £867,000 to £936,000 in pre-tax profits for the half year to April 28.

The company is involved in commercial property development and investment and leisure-related activities, and is an operator of a retail garage and retail petrol stations.

Mr Deryck Nicholson, chairman, said that higher wage settlements within the retail industry had caused concern, and consequently Shoprite had been faced with substantial increases. Profit growth in the second half was likely to be similar to that now reported.

This would make a total of about £1.9m, compared with

the previous year's £2.1m.

Turnover was £15.5m against £12.4m. After tax of £145,000 (£173,000) earnings per share were 6.9p (6p). The company does not pay an interim dividend.

**Fyffes ahead 11% to £9.23m**

Fyffes, the Irish-based distributor of fresh fruit, flowers and vegetable products, experienced a sound first half to April 30.

Turnover rose 25 per cent, from £17.44m to £21.93m, or £2m, while the growth in pre-tax profit was kept to 11 per cent, from £2.832m to £3.132m, or £243m.

Margins were slightly lower. The company continued to invest in constructing depots and new ships, and met significant costs in establishing new supply sources in Honduras.

Fully diluted earnings were 2.06p (1.91p) per share. The interim dividend is raised to 0.2533p (0.2537p).

## UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY: Index of industrial production, manufacturing output (1985=100); retail sales volume index (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (2001). All seasonally adjusted.									
	1989	1990	1991	1992	1993	1994	1995	1996	1997
1st qtr.	118.8	119.2	119.5	119.8	120.1	120.4	120.7	121.0	121.3
2nd qtr.	119.1	119.5	119.8	120.1	120.4	120.7	121.0	121.3	121.6
3rd qtr.	119.4	119.8	120.1	120.4	120.7	121.0	121.3	121.6	121.9
4th qtr.	119.7	120.1	120.4	120.7	121.0	121.3	121.6	121.9	122.2
1st qtr.	119.8	120.1	120.4	120.7	121.0	121.3	121.6	121.9	122.2
2nd qtr.	120.1	120.4	120.7	121.0	121.3	121.6	121.9	122.2	122.5
3rd qtr.	120.4	120.7	121.0	121.3	121.6	121.9	122.2	122.5	122.8
4th qtr.	120.7	121.0	121.3	121.6	121.9	122.2	122.5	122.8	123.1
1st qtr.	121.0	121.3	121.6	121.9	122.2	122.5	122.8	123.1	123.4
2nd qtr.	121.3	121.6	121.9	122.2	122.5	122.8	123.1	123.4	123.7
3rd qtr.	121.6	121.9	122.2	122.5	122.8	123.1	123.4	123.7	124.0
4th qtr.	121.9	122.2	122.5	122.8	123.1	123.4	123.7	124.0	124.3
1st qtr.	122.2	122.5	122.8	123.1	123.4	123.7	124.0	124.3	124.6
2nd qtr.	122.5	122.8	123.1	123.4	123.7	124.0	124.3	124.6	124.9
3rd qtr.	122.8	123.1	123.4	123.7	124.0	124.3	124.6	124.9	125.2
4th qtr.	123.1	123.4	123.7	124.0	124.3	124.6	124.9	125.2	125.5
1st qtr.	123.4	123.7	124.0	124.3	124.6	124.9	125.2	125.5	125.8
2nd qtr.	123.7	124.0	124.3	124.6	124.9	125.2	125.5	125.8	126.1
3rd qtr.	124.0	124.3	124.6	124.9	125.2	125.5	125.8	126.1	126.4
4th qtr.	124.3	124.6	124.9	125.2	125.5	125.8	126.1	126.4	126.7
1st qtr.	124.6	124.9	125.2	125.5	125.8	126.1	126.4	126.7	127.0
2nd qtr.	124.9	125.2	125.5	125.8	126.1	126.4	126.7	127.0	127.3
3rd qtr.	125.2	125.5	125.8	126.1	126.4	126.7	127.0	127.3	127.6
4th qtr.	125.5	125.8	126.1	126.4	126.7	127.0	127.3	127.6	127.9
1st qtr.	125.8	126.1	126.4	126.7	127.0	127.3	127.6	127.9	128.2
2nd qtr.	126.1	126.4	126.7	127.0	127.3	127.6	127.9	128.2	128.5
3rd qtr.	126.4	126.7	127.0	127.3	127.6	127.9	128.2	128.5	128.8
4th qtr.	126.7	127.0	127.3	127.6	127.9	128.2	128.5	128.8	129.1
1st qtr.	127.0	127.3	127.6	127.9	128.2	128.5	128.8	129.1	129.4
2nd qtr.	127.3	127.6	127.9	128.2	128.5	128.8	129.1	129.4	129.7
3rd qtr.	127.6	127.9	128.2	128.5	128.8	129.1	129.4	129.7	130.0
4th qtr.	127.9	128.2	128.5	128.8	129.1	129.4	129.7	130.0	130.3
1st qtr.	128.2	128.5	128.8	129.1	129.4	129.7	130.0	130.3	130.6
2nd qtr.	128.5	128.8	129.1	129.4	129.7	130.0	130.3	130.6	130.9
3rd qtr.	128.8	129.1	129.4	129.7	130.0	130.3	130.6	130.9	131.2
4th qtr.	129.1	129.4	129.7	130.0	130.3	130.6	130.9	131.2	131.5
1st qtr.	129.4	129.7	130.0	130.3	130.6	130.9	131.2	131.5	131.8
2nd qtr.	129.7	130.0	130.3	130.6	130.9	131.2	131.5	131.8	132.1
3rd qtr.	130.0	130.3	130.6	130.9	131.2	131.5	131.8	132.1	132.4
4th qtr.	130.3	130.6	130.9	131.2	131.5	131.8	132.1	132.4	132.7
1st qtr.	130.6	130.9	131.2	131.5	131.8	132.1	132.4	132.7	133.0
2nd qtr.	130.9	131.2	131.5	131.8	132.1	132.4	132.7	133.0	133.3
3rd qtr.	131.2	131.5	131.8	132.1	132.4	132.7	133.0	133.3	133.6
4th qtr.	131.5	131.8	132.1	132.4	132.7	133.0	133.3	133.6	133.9
1st qtr.	131.8	132.1	132.4	132.7	133.0	133.3	133.6	133.9	134.2
2nd qtr.	132.1	132.4	132.7	133.0	133.3	133.6	133.9	134.2	134.5
3rd qtr.	132.4	132.7	133.0	133.3	133.6	133.9	134.2	134.5	134.8
4th qtr.	132.7	133.0	133.3	133.6	133.9	134.2	134.5	134.8	135.1
1st qtr.	133.0	133.3	133.6	133.9	134.2	134.5	134.8	135.1	135.4
2nd qtr.	133.3	133.6	133.9	134.2	134.5	134.8	135.1	135.4	135.7
3rd qtr.	133.6	133.9	134.2	134.5	134.8	135.1	135.4	135.7	136.0
4th qtr.	133.9	134.2	134.5	134.8	135.1	135.4	135.7	136.0	136.3
1st qtr.	134.2	134.5	134.8	135.1	135.4	135.7	136.0	136.3	136.6
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3rd qtr.	134.8	135.1	135.4	135.7	136.0	136.3	136.6	136.9	137.2
4th qtr.	135.1	135.4	135.7	136.0	136.3	136.6	136.9	137.2	137.5
1st qtr.	135.4	135.7	136.0	136.3	136.6	136.9	137.2	137.5	137.8
2nd qtr.	135.7	136.0	136.3	136.6	136.9	137.2	137.5	137.8	138.1
3rd qtr.	136.0	136.3	136.6	136.9	137.2	137.5	137.8	138.1	138.4
4th qtr.	136.3	136.6	136.9	137.2	137.5	137.8	138.1	138.4	138.7
1st qtr.	136.6	136.9	137.2	137.5	137.8	138.1	138.4	138.7	139.0
2nd qtr.	136.9	137.2	137.5	137.8	138.1	138.4	138.7	139.0	139.3
3rd qtr.	137.2	137.5	137.8	138.1	138.4	138.7	139.0	139.3	139.6
4th qtr.	137.5	137.8	138.1	138.4	138.7	139.0	139.3	139.6	139.9
1st qtr.	137.8	138.1	138.4	138.7	139.0	139.3	139.6	139.9	140.2
2nd qtr.	138.1	138.4	138.7	139.0	139.3	139.6	139.9	140.2	140.5
3rd qtr.	138.4	138.7	139.0	139.3	139.6	139.9	140.2	140.5	140.8
4th qtr.	138.7	139.0	139.3	139.6	139.9	140.2	140.5	140.8	141.1
1st qtr.	139.0	139.3	139.6	139.9	140.2	140.5	140.8	141.1	141.4



## MANAGEMENT: Marketing and Advertising

## UK drinks industry

## Cider's raging thirst for growth

Brand innovation is now seen as the name of the game, reports Philip Rawstone

**B**ritain's cider market boomed during last year's long hot summer. Consumption rose to a record 67.4m gallons - more than 9 per cent higher than in 1988 - and turnover grew to £475m.

It was the best year since a 47 per cent increase in duty in the 1984 Budget brought to an abrupt end more than two decades of growth.

The question now for the leading cider-makers - HP Bulmer, Taunton Cider, Showers, and Merrydown Wine - is whether they can escape the industry's apparent reliance on the summer to make its sales, and sustain this renewed market expansion.

The answer will largely depend on the success of a shift in marketing strategies and an increased rate of product innovation.

"If we, as an industry, are to build on the gains made during 1989 then what we need is a variety of brands which are unashamedly cider and which do not have to apologise for being so," says Gray Oliver, marketing director of Showers.

Between 1980 and 1989, cider consumption increased from 18.8m gallons to 67.4m gallons, a 256 per cent increase.

By 1994, distribution of draught keg cider into British pubs had pushed sales to 66.7m gallons. Access to the pub estates owned by the big brewers was the key to volume growth and market share.

With the loosening of the brewers' ties, following last year's Monopolies and Mergers Commission report, a new battle for distribution has begun.

The only obvious beneficiary, so far, has been Merrydown, the Sussex-based independent and leader of the premium sector which, through a deal with Showers, has gained access to Allied Lyons' estate for its brand of bottled vintage cider.

Since most pubs sell one draught cider and are unlikely to find bar space for a second - at least until rates of sale begin to compete with ale or lager - the current battle is essentially for market share.

It is unlikely to result in significant growth in sales volume - especially since the number of 19-24 year-olds, the age group for which the pub is a centre of leisure activity, is forecast to decline by 1m by 1995.

If cider makers are to maintain their sales growth, therefore, it is clear they must not only increase the drink's appeal to the younger pub-goer but find new markets among other age and social groups.

During the years of distribution-led growth, there was little incentive to introduce new products or to segment the market. For years, the only product differentiation was between sweet cider and dry cider.

Advertising was focused on a few leading brands, and in the main projected cider's traditional and rural heritage with images of knights in armour, bucolic country yokels, ghostly characters from the past, and woodpeckers.

After the duty increase in 1984, the first general response to declining sales was to reduce advertising. Over the period 1983-85, expenditure for the industry as a whole fell by a third.

This reduction in advertising, together with a surfeit of poor summers, contributed to further volume declines and a growth in own-label ciders.

Merrydown countered the trend. Throughout the 1980s, it slowly strengthened its position in the premium sector. It had created by supporting its strong Vintage Cider with consistent press advertising, rather snobbishly but wittily associating the drink with the "world's most sporting cricket club...most sublime ski resort...most benevolent bank."

Currently being advertised as "a better glass of cider", Merrydown now has 50 per cent of the premium sector. The sector forms only about 10 per cent of the bottled cider market, but industry analysts predict it will double in size over the next two years or so.

Richard Purdy, Merrydown's managing director, says: "We are growing our business through quality rather than by some marketing fad which can be easily undermined by a change of fashion."

The initial attempts of the bigger companies to give cider a contemporary image and compete head-on with the heavily-advertised lagers for younger drinkers were uncertain and largely unsuccessful.

"Cider advertising," says John Rudgard, chief executive of HP Bulmer, the market leader, "was then all about lads in pubs."

Advertising by Leo Burnett for Bulmer's Strongbow projected it as a strong lager-like drink - the "Thirstlayer". An advertisement for Bulmer's Woodpecker, which featured

the "human" woodpeckers watching party-goers flying around a garden, was dropped after criticism that it was irresponsibly targeting the young.

Taunton Cider tried to emulate the flippant humour of lagers advertising in a campaign for its Dry Blackthorn by WCRS Mathews Marcantonio, which urged drinkers to "forget the wet, get into the dry."

More recently, however, the industry has been finding a surer and more distinctive approach - and it has been backing it with bigger advertising budgets. Bulmer's marketing spend this year will be £14.5m and Taunton's £11m.

A Saatchi & Saatchi television commercial for Showers' Gaymer's Old English has stressed the product quality - "Every drop's been dripped," Oliver says. "The move was designed to give cider more credibility as a natural, refreshing fruit-based drink that would appeal to a wider audience."

Bulmer this year has tried to update and widen the appeal of Strongbow through a lifestyle advertising campaign by J Walter Thompson which features a young man and a young woman drinking the

cider in a bowling alley. Taunton, in a campaign devised by Grey Advertising, is promoting Dry Blackthorn as a drink for celebratory occasions at any time of the year - "Definitely a Dry Blackthorn day."

This switch in advertising approach for the major brands has been accompanied by an increasingly vigorous attempt to segment the market by targeting new products, of varying alcoholic strengths, at specific groups of consumers.

Showers introduced Copenhead, the first new draught cider for 20 years, and gave it an urban image in television commercials by Butterfield Day De La Roche. It followed with Addressables Vintage, promoting that product like a real ale. Taunton last year launched Red Rock, an draught and bottled, and in a series of commercial advertisements by Gold Greenlees Trott is now promoting it as a drink to be included in the "repertoire" of style-conscious drinkers.

But while the draught cider market remains important - Bulmer has spent £1.75m on newly-designed bar fonts for Strongbow and Woodpecker - the main thrust of the new products has been in the packaged sector.

Taunton's Diamond White, the fastest-growing cider brand with a 118 per cent increase in sales last year, has been positioned at the premium end of the market, together with a new line extension, Diamond Blush, and Blackthorn Super. Bulmer has introduced Max, Strongbow 1080 and Super, and Showers has launched K cider in the same sector.

All three companies have put low-alcohol ciders on the market - Bulmer and Taunton concentrating on the pub trade, Showers promoting its version as a drink for family occasions at home.

Taunton Cool and Bulmer's Crisp have been launched as refreshing options for women looking for "bridging" products between wines and soft drinks.

All this innovation, together with increased marketing investment, played its part in last year's record sales, says Bulmer's John Rudgard.

Taunton's commercial director, Andy Nash, agrees. "Products introduced over the past five years now account for 20 per cent of our sales," he says. "I am confident that we can keep the market moving forward. After all, if we can convert just one pint of beer in every hundred to cider, our market will grow by 25 per cent."

## Cider market performance

Market share (per cent)

On-licensed sales

Take-home sales

1989

1988

1989

1988

1989

1988

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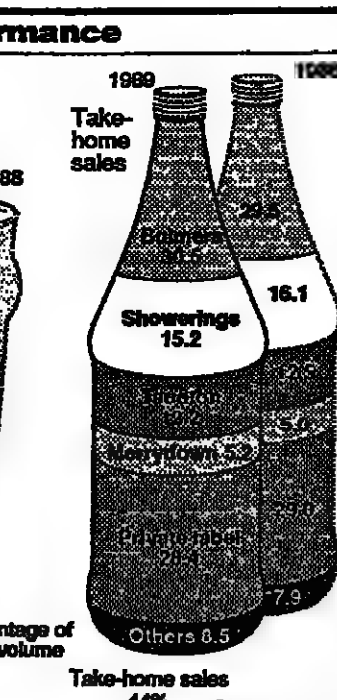
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Source: State MR

cider in a bowling alley.

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But while the draught cider market remains important - Bulmer has spent £1.75m on newly-designed bar fonts for Strongbow and Woodpecker - the main thrust of the new products has been in the packaged sector.

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Taunton







W. Corp.	3870	-6	-	-
in Inds.	7255	-	11.75c	1.5
Bay Mines.	7220	-	\$0.07	0.5
Corp	3010	-19	-	-
of Techs. Inc.	2860	-2	-	-
(Int'l.)	820	-	-	-
Canada	7470	-1	\$2c	3.5
er Std. Can.	115	-13	\$1.08	4.6
er's Bay I	147	-1	60c	2.0
at Oil	26 1/2	-4 1/2	\$1.80	3.4
	16 1/2	+3 1/2	\$0.80	2.8
cho Expln.	340	-	-	-



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1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	9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● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2125.

	1981 Output	1982 Output	1983 Output	1984 Output	% Chg. '83-'84
<b>Brown Shipley &amp; Co Ltd—Canada</b>					
North American	62.29	62.29	66.43	68.00	2.35
Orient &	117.0	117.0	125.0	125.0	0.00
Recovery	43.37	43.37	44.19	44.19	0.00
Smaller Cos. Ass.	248.6	248.6	264.8	264.8	0.00

[illegible]

Global Asset Management (C28000)									
GAM Short-Term Management Ltd C28000									
2221	2222	2223	2224	2225	2226	2227	2228	2229	2230
2231	2232	2233	2234	2235	2236	2237	2238	2239	2240
2241	2242	2243	2244	2245	2246	2247	2248	2249	2250
2251	2252	2253	2254	2255	2256	2257	2258	2259	2260
2261	2262	2263	2264	2265	2266	2267	2268	2269	2270
2271	2272	2273	2274	2275	2276	2277	2278	2279	2280
2281	2282	2283	2284	2285	2286	2287	2288	2289	2290
2291	2292	2293	2294	2295	2296	2297	2298	2299	2300
2301	2302	2303	2304	2305	2306	2307	2308	2309	2310
2311	2312	2313	2314	2315	2316	2317	2318	2319	2320
2321	2322	2323	2324	2325	2326	2327	2328	2329	2330
2331	2332	2333	2334	2335	2336	2337	2338	2339	2340
2341	2342	2343	2344	2345	2346	2347	2348	2349	2350
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2591	2592	2593	2594	2595	2596	2597	2598	2599	2600
2601	2602	2603	2604	2605	2606	2607	2608	2609	2610
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2631	2632	2633	2634	2635	2636	2637	2638	2639	2640
2641	2642	2643	2644	2645	2646	2647	2648	2649	2650
2651	2652	2653	2654	2655	2656	2657	2658	2659	2660
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2681	2682	2683	2684	2685	2686	2687	2688	2689	2690
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3101	3102	3103	3104	3105	3106	3107	3108	3109	3110
3111	3112	3113	3114	3115	3116	3117	3118	3119	3120
3121	3122	3123	3124	3125	3126	3127	3128	3129	3130
3131	3132	3133	3134	3135	3136	3137	3138	3139	3140
3141	3142	3143	3144	3145	3146	3147	3148	3149	3150
3151	3152	3153	3154	3155	3156	3157	3158	3159	3160
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**INSURANCES**



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# INSURANCES

**LA Friendly Society**  
Investment, Mortg & G. & Ins. Maint. Lbld.  
A Friendly Sec. Jan. 13... 179.51

**Abney Life Assurance Co Ltd**  
90 Holmden Rd., Broomfield  
Prop. Ser. 1... 399.2  
" " 2... 138.3  
" " 3... 171.3  
" " 4... 452.5  
" " 5... 476.4  
" " 6... 156.8  
" " 7... 165.1  
" " 8... 372.9  
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" " 10... 342.3  
" " 11... 373.4  
" " 12... 400.6  
" " 13... 472.3  
" " 14... 219.7  
" " 15... 251.4  
" " 16... 145.5  
" " 17... 153.5  
" " 18... 318.7  
" " 19... 318.5  
" " 20... 313.5  
" " 21... 128.8  
" " 22... 336.6



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## Money Market Bank Accounts



## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Sterling firm as dollar falls

STERLING CONTINUED to benefit from speculation about early British membership of the European Monetary System exchange rate mechanism. High yielding currencies, such as the pound, were generally in favour during a quiet day, when market volume was restricted by the closure of the US for Independence Day. Dealers in London and Frankfurt took advantage of a very quiet session by winding down the World Cup football match between England and West Germany.

The pound rose to DM2.9400 from DM2.9375. It also gained 55 points to \$1.7850 against a generally weak dollar and rose to SF2.4825 from SF2.4800, but eased to FF9.8575 from FF9.8625. On Bank of England figures sterling's index rose 0.4 to 92.7.

The dollar remained depressed by speculation about an easing of the Federal Reserve's monetary stance. The comment by US President George Bush that "bringing down interest rates worldwide is always a goal" tended to weigh on the currency. Today's figures on US employment trends are regarded as an important guide to the state of the US economy. Unemployment is expected to be steady

at 5.3 per cent in June, but growth in job creation is likely to remain weak, according to analysts, with non-farm payrolls rising about 100,000, against 164,000 in May. At the London close the dollar had fallen to DM1.6470 from DM1.6510; to SF1.3970 from SF1.3990; to FF5.5225 from FF5.5265; and to Y149.80 from Y151.15. According to the Bank of England the dollar's index declined to 65.9 from 66.4.

Earlier in Tokyo the dollar fell below Y150 for the first time since May 29. Dealers said that if the US currency establishes a trading level below Y150 it is likely to improve sentiment surrounding the yen, and could also represent a significant downward turning point for the dollar.

In common with sterling other high yielding currencies were firm. The Australian dollar finished stronger against its US counterpart in Sydney, with dealers suggesting that the trend for the Australian currency remains higher.

Full members of the EMS supported by high interest rates were also firm. The Spanish peseta hit its maximum allowed limit against the franc and was close to its ceiling against the D-Mark. In Madrid the D-Mark was fixed at Ptas61.3675, compared with a lowest permitted level of Ptas61.2170. Recent comments by Spanish officials that any adjustment to the peseta would be on the upside and that a depreciation would run counter to monetary policy supported the Spanish currency.

In Paris the peseta was fixed at FF4.4700 per 100 pesetas against the franc, near its upper limit of FF4.4785, but there was no sign of intervention by the Bank of France. The franc was little changed against the D-Mark.

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## FINANCIAL FUTURES AND OPTIONS

## LIFE LONG FUTURES OPTIONS

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## LIFE LONG FUTURES OPTIONS

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## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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**Continued on page 37**



**NASDAQ NATIONAL MARKET**[illegible]4pm price  
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**Free hand  
delivery  
service in  
TORINO**  
(Conte, Cirib)  
If you work in the  
business centre of  
Torino, gain the  
edge over your  
competitors.  
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delivered to your  
office at no extra  
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